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Telegraph Lines, Standing
Committee, 1958

HOUSE OF COMMONS

Government
Publications

First Session—Twenty-fourth Parliament
1958

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: GORDON K. FRASER, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

Bill S-6—An Act respecting Trans Mountain Oil Pipe
Line Company

TUESDAY, JULY 29, 1958

WITNESSES

Mr. J. A. Renwick, Parliamentary Agent; Mr. D. M. Morrison, President
Trans Mountain Oil Pipe Line Company and Mr. E. C. Hurd, Adminis-
trative Manager; Mr. J. H. McQuarrie, Secretary; Mr. R. F. B. Taylor,
Treasurer; Mr. Claude Pearce, Shareholder.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Gordon K. Fraser, Esq.,
and Messrs.

Allmark,	Fisher,	McPhillips,
Asselin,	Garland,	Michaud,
Badanai,	Grills,	Monteith (<i>Verdun</i>),
Baldwin,	Hales,	Nielsen,
Baskin,	Hardie,	Nixon,
Batten,	Horner (<i>Acadia</i>),	Pascoe,
Bigg,	Horner (<i>Jasper-Edson</i>),	Payne,
Bourbonnais,	Howard,	Phillips,
Brassard (<i>Chicoutimi</i>),	Howe,	Racine,
Brassard (<i>Lapointe</i>),	Johnson,	Rouleau,
Bruchési,	Keays,	Rynard,
Brunsdén,	Kennedy,	Smallwood,
Campbell (<i>Stormont</i>),	LaRue,	Smith (<i>Calgary South</i>),
Chevrier,	MacEwan,	Smith (<i>Simcoe North</i>),
Chown,	MacInnis,	Tassé,
Creaghan,	Martini,	Taylor,
Crouse,	McBain,	Thompson,
Drysdale,	McDonald (<i>Hamilton</i>	Tucker,
Dupuis,	<i>South</i>),	Webster,
English,	McMillan,	Wratten—60.

J. E. O'Connor,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

House of Commons, Room 277,

TUESDAY, July 29, 1958.

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:15 o'clock a.m. The Chairman, Mr. Gordon K. Fraser, presided.

Members present: Messrs. Allmark, Baldwin, Batten, Brassard (*Chicoutimi*), Chown, Crouse, Drysdale, Fisher, Fraser, Hales, Horner (*Jasper-Edson*), Horner (*Acadia*), Howard, Howe, Kennedy, Martini, McPhillips, Monteith (*Verdun*), Nixon, Smallwood, Smith (*Simcoe North*), Tasse, Thompson, Tucker, Wratten.

In attendance: Messrs. J. A. Renwick, Parliamentary Agent; D. M. Morrison, President, Trans Mountain Oil Pipe Line Company; E. C. Hurd, Administration Manager; J. H. McQuarrie, Secretary; R. F. B. Taylor, Treasurer; also Claude Pearce, Toronto, Ontario.

The Committee considered Bill S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

On motion of Mr. Hales, seconded by Mr. Howe.

Resolved,—That pursuant to the Order of Reference of June 11, 1958, the Committee print, from day to day, 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence as they relate to Bill S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

During the study of the said Bill Messrs. Renwick, Morrison, Hurd, McQuarrie, Taylor and Pearce were heard.

Mr. Howard moved, seconded by Mr. Fisher, that the Committee do not now proceed with the Bill but that each of the shareholders be communicated with inviting them to appear before the Committee, or write to the Committee so that their opinions regarding the Bill may be available to the Members of the Committee.

The question having been put on the motion of Mr. Howard, the said motion, on a show of hands, was resolved in the negative.

During further study of the Bill the tariff of the Trans Mountain Oil Pipe Line Company was filed and ordered to be printed as Appendix "A" to the day's proceedings.

The Preamble of the Bill was agreed to.

Just prior to the recess, Mr. Horner (*Jasper-Edson*), moved, seconded by Mr. Smallwood, that further consideration of the said Bill be delayed until the Committee can procure and hear from expert witnesses on the financial aspects from the Investment Dealers Association and on the petroleum aspects from the Canadian Petroleum Association and such further witnesses that the Committee may decide to call.

At 12:40 o'clock p.m. the Committee took recess.

AFTERNOON SITTING

The Committee resumed at 3:30 o'clock p.m. The Chairman, Mr. Gordon K. Fraser, presided.

Members present: Messrs. Allmark, Brassard (*Chicoutimi*), Brunsdon, Campbell (*Stormont*), Chown, Crouse, Drysdale, Fisher, Fraser, Hales, Horner (*Jasper-Edson*), Horner (*Acadia*), Howard, Howe, Keays, Martini, McPhillips, Monteith (*Verdun*), Nixon, Payne, Phillips, Racine, Smallwood, Smith (*Simcoe North*), Smith (*Calgary South*), Tasse, Thompson, Tucker, Wratten.

In attendance: The same persons as are listed in attendance at the morning sitting.

The Committee resumed consideration of Bill S-6, An Act respecting Trans Mountain Oil Pipe Line Company.

The question was put on the proposed motion of Mr. Horner (*Jasper-Edson*), and on a show of hands it was resolved in the negative.

The discussion on the Bill was continued with the witnesses present under questioning.

At one stage the Chairman asked whether Clause 1 carry. On a show of hands, the Committee decided to continue the discussion.

Mr. Howard moved, seconded by Mr. Campbell (*Stormont*), that the Committee adjourn and meet again at the call of the Chair.

It was agreed that the Committee should not reconvene for the study of the said Bill until the Evidence heard this day be printed and available to all Members.

At 5:30 o'clock p.m. the Committee adjourned.

Antoine Chasse,
Clerk of the Committee.

EVIDENCE

TUESDAY, July 29, 1958.

10 a.m.

The CHAIRMAN: Gentlemen, I see a quorum.

First of all could we have a motion in regard to printing the minutes of this committee?

Mr. HALES: Mr. Chairman, I move, seconded by Mr. Howe, that pursuant to the order of reference of June 11th, 1958, the committee print from day to day 750 copies in English and 200 copies in French of its minutes of proceedings and evidence as they relate to bill No. S-6, an act respecting Trans Mountain Oil Pipe Line Company.

The CHAIRMAN: Gentlemen, you have heard the motion to print 750 copies in English and 200 copies in French.

Agreed.

This morning we have Senate Bill No. S-6, an act respecting Trans Mountain Oil Pipe Line Company. I am going to ask Mr. J. A. Renwick, the parliamentary agent for the pipe line company to come up to the table and, with your permission, ask Mr. Renwick to give us an outline of this bill. Is that agreeable?

Some hon. MEMBERS: Agreed.

Mr. J. A. RENWICK (*Solicitor for the Trans Mountain Oil Pipe Line Company*): Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, attending with me this morning are Mr. D. M. Morrison, president of the Trans Mountain Oil Pipe Line Company; Mr. E. C. Hurd, administration manager; Mr. J. H. McQuarrie, secretary and Mr. R. F. B. Taylor, treasurer. They will be available to answer any questions which you may wish to ask them.

I believe it would be of assistance if I gave you some brief background of the company in order to aid you in considering this bill.

The company was incorporated by special act of the parliament of Canada on March 21, 1951, which was the date when the statute received royal assent. The company was authorized to engage in, construct and operate interprovincial and international crude oil pipe lines. Since that date it has constructed and presently operates an oil pipe line system for the transportation of crude oil from the vicinity of Edmonton, Alberta to the vicinity of Vancouver, British Columbia, with a spur line to the international border through into Burlington in the state of Washington.

The company—this is the point which I think merits a clear distinction in the minds of the committee—is engaged solely in providing a service. The company transports oil from Edmonton through to Vancouver, or down to the international border where it is picked up by a wholly owned subsidiary which transports it through into the state of Washington. The company charges a tariff for the service which it performs. It does not own the crude oil which passes through the line, it simply receives it from the companies which tender it at the one end and delivers it at the other end, either to refineries or over the wharf at Vancouver for export by tanker.

The company has no long term contracts for the carriage of crude oil. For that reason it is a highly speculative company in the sense that its operations

are governed to a large measure by the international laid down price of oil in California, and indeed, in the state of Washington, and perhaps at the same time in the city of Vancouver.

The original inception of this line called for financing, on the advice of the investment advisors of the company, taking the form of \$60 million in bonds and \$15 million in stock. The stock, which was issued at that time, was issued for a price of \$10 with the exception of 450,000 shares which went to the public in Canada at a net price to the company of \$9.50.

The original authorized capital was 5,000,000 shares without nominal or par value. 1,500,000 shares, as I have said, was issued at the time of the initial financing. Of that number of shares, 450,000 went to the public in Canada, some 670,000 shares went to the major supporting oil companies, and 250,000 shares went to independent producers, about fourteen in number, in the province of Alberta mainly.

The additional 130,000 shares went to the Bechtel Company which were the original sponsors who, through their Canadian company, Canadian Bechtel Limited, acted in the construction of the line.

The major companies concerned were the Imperial Oil Company which took 130,000; the Shell Oil Company of Canada which took 130,000 shares; the Standard Oil Company of British Columbia which took 130,000 shares; the Richfield Oil Corporation, which took 50,000 shares; the Union Oil Company of California, which took 100,000 shares; and the Canadian Gulf Oil Company, which has since become the British American Oil Company, which took 130,000 shares, making a total of 670,000 shares.

The fourteen independent oil companies took a total, in aggregate, of 250,000 shares.

The public, as I have said, took 450,000 shares on a public offering in Canada.

At the present time five of the original oil companies are still holding stock. The Union Oil Company in California has since sold its 100,000 shares. The five other companies still retain the shares which they originally took.

In addition the original holdings of 250,000 shares of the fourteen independent companies is now reduced to approximately 50,000 shares, so they have, over the past months, disposed of some 200,000 shares on the public market.

It would therefore appear from the records that are available to the company at this time that there are approximately 30 percent of the shares owned by the major supporting oil companies, with the balance of the shares available on the public market for trading. The company, of course, cannot be specifically certain as to how many of the remaining two thirds of the company's shares are so available.

Coming now, directly to the bill, which is being sponsored on behalf of the company by Mr. Broome, who unfortunately is absent, I can say that the bill is simply to divide the shares of the stock of the company into five, so that for the 5,000,000 authorized shares there will be 25,000,000 authorized shares, and 1,504,928 shares which are presently issued will be multiplied by five, and the treasury shares will be multiplied by five.

I think perhaps it would be of assistance to point out clearly to the members of this committee that this subdivision of the stock will not produce any money for the company. This is simply a subdivision of the number of units into which the shares of the company are divided. This bill does not alter, on the balance sheet of the company, the paid up capital of the company in any way. This bill is desired by the company for two reasons; one, simply to enable a wider participation by the public—and the company is hopeful that that will mean the Canadian public—in the shares of the company.

Secondly, to provide that if and when additional financing is required by the company that the lower price per unit of the shares of the company resulting

from this subdivision will permit the raising of additional funds by equity participation on a public offering of these shares.

Again, the company at the present time has no definite plans as to when it will require additional funds. Certainly as the capacity of the Line requires an increase then further funds will be required. This bill will provide the flexibility which will enable the directors of the company at that time to decide upon the most advantageous way of raising additional funds.

One of the reasons why this flexibility is necessary, and why in all likelihood further financing will involve issuance of stock of the company, is that the debt of the company at the present time is in the neighbourhood of \$100 million, and the equity of the company is, as I have stated, approximately \$15 million. That ratio would indicate that the investment advisers of the company would probably recommend the financing by way of an issue of the shares of the company.

The CHAIRMAN: Thank you Mr. Renwick.

Gentlemen, we have Mr. Claude Pearce of Toronto, who is a stockholder of the company, who would like to be heard. Is it your wish that Mr. Pearce be heard?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Mr. Pearce, would you kindly come up to this table?

Mr. Pearce, you have something to say and we would like to hear you.

Mr. Claude PEARCE: In connection with the bill that Trans Mountain Oil Pipe Line Company split their stock on a five for one basis I, as one of the largest individual stockholders in the company, am absolutely opposed to it. I am opposed to this split for two or three reasons which I will attempt to enumerate to members of this committee for your observation because I know that while dealing with a bill of this kind it is very important that you get all the angles to the situation.

I was rather interested in the company's statement, through their solicitor, that the funded debt of the company was approximately \$100 million in outstanding bonds, and that the purpose of this stock split was for, at some future period when their investment advisers saw fit, reducing that funded debt by issuing common stock.

There is a story behind that idea which I think this committee ought to be aware of. That story is this: when these bonds were issued by this company for the building of this line, and the projecting of this line over into the northwestern United States, the bond holders demanded some form of security in regard to the bonds in respect of a pipe line that was running out among these wild Indians in western Canada, as they thought, which might be disrupted at any time.

These major oil companies, who received a bonus of \$130,000 shares of this stock at \$10 a share, backed these bonds as guarantors in perpetuity meaning, as long as these bonds were available, these major oil companies were the guarantors of the bonds individually and collectively.

According to the statement that was made by the company's solicitors, the purpose of this split of stock is to relieve these big oil companies of that guarantee that they have on the bonds at some future date when their investment advisers advise that it is the appropriate time.

That is not the main reason that I have for opposing this stock split because I believe that people have debts from time to time and try to take the easiest route possible to eliminate themselves from these overhanging debts which is probably good judgment. But, I as a shareholder in this company—with millions of dollars invested in it—do not get any stock as a bonus. I bought my stock on the open market at the Toronto stock exchange, every share of it.

I respect the management of the company. I think they are doing a good job. I do not want to appear here as being a dissident or interrupter, or someone who is trying to create trouble. That is not my purpose. I am just an ordinary Canadian appearing before this committee of the parliament of Canada to protect what I think is my interest in this company.

This money which I have invested was not given to me, I earned every dollar of it. I invested this money in this company because this company was authorized to issue only five million shares. Of that figure, 1,500,000 shares were issued. That was the main reason I put my money into this company. I felt that with only 1,500,000 shares outstanding that this company could earn, in the very near future, approximately \$2, \$3 or \$4 per share. As a Canadian, looking for some sound investment in Canada, I put that money into this company, but I never had any idea that this company was going to split their stock on a five to one basis which would give the company 17,500,000 shares in their treasury to peddle out, or to give out on bonus at some future date in any manner that the shareholders saw fit to do that is if the government representatives here authorize them to do so. Once you do that you have no control whatever over the authorization of stock in this company, you are done.

I would like to say this; if this stock remains in the position that it is it will become one of the finest investment stocks that there are in the dominion of Canada.

And to prove that, let me point the facts out to you. The prospectus of this company issued in December of 1951, when this stock was put on the market—there were at that time a number of oil companies who owned stock in this company. The first one to start to get rid of their stock was Union Oil Company of California, who had purchased stock at \$10 a share and were—I am not sure—I think they were the partial guarantors on the bonds. They sold 100,000 shares of stock in the first go-round. 75 per cent of the small oil companies that got their stock as bonus at \$10 a share have sold their stock. The public bought the stock at anywhere from \$20 a share to \$145 a share last July.

Now, the reason that stock was \$145 a share last July in my opinion was the fact that the company at that time had the Suez Canal issue, and difficulties in the Middle East, which put Trans Mountain Oil Pipe Line in a very major position, so far as the distribution of petrolatum products was concerned.

However, at the back of that there were two or three big refineries opened up in the State of Washington which began to bring oil through the subsidiary, or the American subsidiary of Trans Mountain Oil Pipe Line. The American investment market, when they saw the Trans Mountain Oil Pipe Line start to deliver by tanker to the market in California immediately began to see the possibilities of this great Canadian undertaking.

What was the result? They walked in and bought stock from \$100 a share to \$145 a share. Now, I venture to say that those people who bought that stock, and at the present time have a terrific loss on it—myself included—under no possible consideration would have bought that stock, had they known that the company was going to split the stock on a five-for-one basis. Because, in most of these great corporations in the United States, like the American Telephone and Telegraph Company, and many other companies we could name, the pressure has been brought to bear on them to split their stock from the time the company has been initiated. Yet those companies have never once attempted to split their stock. Because they have maintained that no matter what the price the stock is selling at, if behind that stock is sufficient capabilities of the company, and sound management—just like there is in this company; because I have found no fault with the management here; they have sound management—then the public is going to come in and buy stock, whether it is \$10 or \$1,000—that is, if it has a proper return on it.

I maintain that your committee, acting for the parliament and the Government of Canada, will do a disservice to Canada, first, and to the shareholders, like myself, second, by allowing this company to split their stock.

I am unalterably opposed to it, because I feel that if the company wants to raise funds and if the company wishes to reduce that funded debt on which these large oil companies are presently guarantors on the bonds, then they have 3,500,000 shares of stock in their treasury that is not yet issued, and that they can still issue to the public at whatever price their investment advisors advise them to issue it at. They can use the money there and pay for the bonds.

If they had been as clever as these oil companies usually are, when stock was selling above \$100 a share last summer they could have sold every bit of that 3,500,000 shares and raised enough money to pay off a great proportion of that funded debt which they are now obligated to.

I wish to thank the members of the committee graciously for the attentive hearing they have given me here and to assure you that I am unalterably opposed to any change in the set-up of this company at the present time. When this company came to your parliament in the first place to have their federal charter, if they had suggested to the government that after a period of one or two years of operation they were going to split that stock on a five-for-one basis, then if I had been in your committee that handled it, I can assure you that they would have not got a charter. Because people realize that here in Canada we have been exploited—and I do not cast any insinuation upon this company. But I do say we have exploited back and forth, and the names of some of our stocks stink in the nostrils of decent people in the United States, by what has been developing in connection with these stocks, with the stock splits in these various companies.

I maintain that we live here along the border of a country of 160 million people who are anxious to invest money in what they think is a sound undertaking, and I do not think that there is a sounder undertaking in this country than Trans Mountain Oil Pipe Line, and I have no affiliation with it. The possibilities for good of that line to the people of western Canada are so tremendous that sometimes it just beggars description.

Because if somebody fires a pistol off in the Near East, the whole Pacific coast is depending upon Trans Mountain Oil Pipe Line for its petrolatum products. Besides that, we in Canada today can produce approximately one million barrels of oil a day. At the present time we are producing approximately 400,000 barrels a day.

I was rather surprised to find one of the biggest companies in this set up, and a company that comes before the Government of Canada and the municipalities of Canada from time to time to get great privileges from them, in exploration and in development of the country, and establishing their product stations throughout the country—I was amazed to find here that when western Canada is staggering under an unemployment problem and is in desperation to try to get rid of their oil—one of these biggest companies in this set-up who are guarantors of these bonds imported 500,000 barrels from British Borneo,—while the president of this company at the present time is one of the former officers of the company. I find that hard to understand. Because here we are in Canada, attempting to develop natural resources of the country; and I maintain this, that it is to the credit of the Parliament of Canada, the manner in which they have assisted these companies and these individuals in developing the resources of Canada.

I was rather amazed when I saw one of these large companies which took approximately 30,000 or 40,000 barrels per day notify the company that they would no longer take oil from them, and start to buy oil in other markets.

Yet these same companies come here today to ask you, who are responsible to the people of Canada, and who are looking to your wits end for the development of markets for various products that our country produces—here is a company that comes to you with their hands outstretched asking for these privileges; and at the same time they will not even buy the product you produce in your country.

Gentlemen, what is going on here? I have perhaps taken up too much of your time. I hope I have developed the reasons for my opposition to this situation.

I know one thing, that if the Parliament of Canada—and not to make any difference to this committee or anybody else—but if the Parliament of Canada, through their elected representatives in this committee allow this company to split its stock, I for one, 12 months from now will not be a stockholder in the company, and I know that hundreds of other fine people who have invested in it feel the same way. Because the history of these split up stocks—and you can take a look at 90 per cent of them—is that the split up stocks became almost worthless. I can show you companies in western Canada where the people went in and paid anywhere from \$2 to \$5 a share for the stock of the company, and they had five or six go-rounds of splits, and today that stock is worth perhaps five or ten or perhaps fifteen cents a share.

I maintain that these gentlemen should be allowed to do what they want in the private operation of their company; but I also believe that when they come before parliament and ask from the Parliament of Canada this privilege, according to their solicitor, for the purpose of relieving them from their obligation that they now have on this bonded indebtedness, I think it is time for this committee to stop, look and listen.

Mr. DRYSDALE: May I ask Mr. Pearce a few questions?

The CHAIRMAN: Yes.

Mr. DRYSDALE: I was wondering—you mentioned that you were a large shareholder. How many shares do you hold?

Mr. PEARCE: 25,000 shares.

Mr. DRYSDALE: How much did you purchase them for?

Mr. PEARCE: About \$2 million.

Mr. DRYSDALE: What is that?—my mathematics are not too good; how much is that?

Mr. PEARCE: I bought them all the way from \$25 a share—and I think I paid as much as \$105 a share.

Mr. DRYSDALE: What is the market for shares today?

Mr. PEARCE: It is \$60 a share.

Mr. DRYSDALE: What effect would it have on the market value, in your opinion, if there is a five-for-one split?

Mr. PEARCE: I think the stock will immediately go down.

Mr. DRYSDALE: To how much per share?

Mr. PEARCE: I am not that good a guesser; I wish I were.

Mr. DRYSDALE: You said you had 25,000 shares?

Mr. PEARCE: That is right, 25,500.

Mr. DRYSDALE: Do you have any idea of what the extent of the other shareholders' holdings would be? Is yours an unusually large shareholding?

Mr. PEARCE: No. I know of many people who have 4,000, 5,000 or 6,000 shares of stock.

Mr. DRYSDALE: Do you know of your own personal knowledge as to the shares that were disposed of by the various oil companies,—as to where they went?

Mr. PEARCE: I do not know; I think Canadian Oil Petrol is here today, or their representative; they ought to be able to tell what they sold their 110,000 shares for.

Mr. DRYSDALE: You would not know of your own personal knowledge?

Mr. PEARCE: No.

The CHAIRMAN: Are there any other questions?

Thank you very much, Mr. Pearce.

Now, gentlemen, will the preamble carry?

Agreed to.

On clause 1—Subdivision of shares.

Mr. DRYSDALE: Mr. Chairman, I believe it was Mr. Hurd who, in announcing the objectives of the company, said they were interested primarily in a wider participation of the public. I was a little confused as to the shares which were acquired originally by the various oil companies and how those shares were disposed. Does Mr. Hurd have information as to the total number of shares disposed of by the oil companies and to whom they were disposed?

Mr. RENWICK: You are referring to the Union Oil Company which disposed of 100,000 shares?

Mr. DRYSDALE: Yes; that was one.

Mr. RENWICK: They disposed of somewhere in the neighbourhood of 200,000 or 250,000 which they originally took then. You would like to know if someone has knowledge as to where those shares went?

Mr. DRYSDALE: Yes.

Mr. J. H. MCQUARRIE (*Secretary, Trans Mountain Oil Pipe Line Company*): Mr. Chairman, I have no knowledge as to where those shares went specifically. We assume they were simply sold in the open market.

Mr. DRYSDALE: Were they disposed of entirely in Canada?

Mr. MCQUARRIE: To the best of my knowledge they were. The stock is not listed on any American exchange.

Mr. SMITH (*Simcoe North*): This company is not a common carrier of oil; they carry on under a private contract?

Mr. MCQUARRIE: We have not been declared a common carrier but we act as if we were.

Mr. SMITH (*Simcoe North*): We will assume one of the companies which is a part owner of Trans Mountain Oil Pipe Line Company has a source of oil outside Canada where the production costs are cheaper and if there is an all-Canadian producer who wanted to use the lines, you would be able to refuse that company transit. You would be able to refuse that company transit of its oil if you wanted to.

Mr. MCQUARRIE: I doubt it very much. I think we would be very happy to carry it.

Mr. SMITH (*Simcoe North*): There is nothing to compel you to accept the all Canadian producer as a customer?

Mr. MCQUARRIE: I think there is. There is the power of the Board of Transport Commissioners in Canada to declare it a common carrier.

Mr. SMITH (*Simcoe North*): But you have not been declared a common carrier?

Mr. MCQUARRIE: No; but we have at all times acted as if we were, and that is the intention of the company.

Mr. SMITH (*Simcoe North*): At this particular time there is nothing to stop you making a contract with another oil producer?

Mr. MCQUARRIE: We have issued a tariff which says we shall treat all carriers equitably. This is a published tariff: "When more petroleum is offered by shippers to the carrier under its tariff than can be transported currently, the transportation furnished by the carrier shall be apportioned among all carriers equitably."

Mr. SMITH (*Simcoe North*): Who fixes that tariff?

Mr. MCQUARRIE: The actual number of cents is set by our board of directors. This tariff is filed with the Board of Transport Commissioners.

Mr. SMITH (*Simcoe North*): Would you read it again?

Mr. MCQUARRIE: It says: "When more petroleum is offered by shippers to the carrier under its tariff than can be transported currently, the transportation furnished by the carrier shall be apportioned among all carriers equitably." In other words it is—

Mr. SMITH (*Simcoe North*): Prorated.

Mr. MCQUARRIE: Prorated; yes. We define in our tariff what we will undertake to carry, and say we will accept tenders providing the quality of the oil meets the tariff and providing the quantities meet the tariff. We say to all the world, in effect, if you tender in accordance with this tariff we will carry it. Therefore, I say under our present tariff, regardless of who tenders the oil, we will be happy to carry it.

Mr. SMITH (*Simcoe North*): Is that a very long document?

Mr. MCQUARRIE: It is four pages.

Mr. SMITH (*Simcoe North*): Could a copy be filed?

Mr. MCQUARRIE: Certainly.

The CHAIRMAN: If it is the wish of the committee, it may be filed as an appendix.

Agreed.

(See appendix A)

Mr. WRATTEN: Why does the company want to split this stock five to one instead of selling the other $3\frac{1}{2}$ million shares which they have?

Mr. MCQUARRIE: Our financial advisers feel it is good business to keep shares in the treasury. They think that the treasury should not be denuded of shares. There have been times in the past when in raising additional funds it was required to attach shares, or rights to buy shares to bonds. If we had no shares in the treasury it would be impossible to finance in that way. We cannot foresee what the marketing conditions of the bonds will be at the time we want to raise the money. If we denude ourselves of shares and need the money urgently for expansion purposes it might be difficult to raise the money at reasonable rates.

Mr. WRATTEN: But, on the other hand, if what Mr. Pearce said is true, and you had an opportunity to sell some of those at \$140 a share, why did you not take advantage of that if you wanted money to put in your treasury? You would have had money to go ahead and expand.

Mr. MCQUARRIE: That is true; but it depends on when you want the money. We might want it today. It happens that we do not want it, but if we did we would only get \$60 today. When you want the money it may not be at \$140 a share.

Mr. WRATTEN: I think, if you fellows had been smart, when it was at \$140 a share if you had put the money away or invested it at 6 per cent some years ago you would have had this money to expand.

Mr. MCQUARRIE: If we had known that was going to happen we would have all been millionaires now.

Mr. WRATTEN: Apparently it did happen. It was almost at \$140 at one time.

Mr. MCQUARRIE: That is perfectly true; but if we had sold $3\frac{1}{2}$ million shares, if we had put those shares on the market, it is probable that the price would not have remained for very many minutes at \$140 a share.

Mr. WRATTEN: But you did not have to put up the whole $3\frac{1}{2}$ million in order to make a nice little pot to hold for future development?

Mr. MCQUARRIE: That is true. However, the opportunity remains open to the company to raise money by the sale of shares. What the company proposes to do is to follow the advice of its financial experts as to how best to raise money.

Mr. DRYSDALE: Mr. Chairman, I notice in the explanatory note you say first "It is believed", and I repeat that, "That the lower unit price and larger number of shares should encourage a wider distribution of the company's shares among investors in Canada and would facilitate future financing by the company." What is this proposed future financing? It has seemed very vague.

Mr. MCQUARRIE: Perhaps I should refer this to Mr. Taylor, the treasurer of our company.

Mr. R. F. B. TAYLOR, (*Treasurer, Trans Mountain Oil Pipe Line Company*): Would you kindly repeat the question?

Mr. DRYSDALE: To put it very simply, apparently you come to parliament to get this bill passed for two reasons as stated by your counsel: you are hoping for added participation by the public and yet you were unable to give any indication as to whether or not there was wider participation by the public in the 200,000 shares which were disposed of by the oil company. The second reason which you mention is that you require it to facilitate further financing by the company. The question that comes to my mind first is; is it necessary to go to 25 million; why not 10 million, why not 15 million. Secondly, what is the proposed nature of the expansion; how much, and approximately when do you contemplate this future financing by the company?

Mr. TAYLOR: To answer the second part first, if I may, there is no proposed future financing now. We have no idea when we will require to raise more money. At the present time we have a plant which has available capacity of somewhere in the order of three times the current business which we are now doing; so, the need for more money is some time off.

Mr. DRYSDALE: In this type of business is the financing something that you can predict in terms of months or years, or is it something now and immediate in terms of days.

Mr. TAYLOR: We have found in our experience that we have been hit with a volume of business which we have not been able to take in a reasonably short time.

Last year, for instance, we had to go out and raise money fairly fast, and that could happen again. Somebody mentioned shooting in the Middle East. If that happened and business developed at an alarming rate we might need to raise money quickly for further expansion.

When we speak of further expansion we are speaking in terms of large sums. I believe the next expansion which we would do might involve \$30 million. We are speaking in terms of large sums of money.

Mr. DRYSDALE: When would that requirement for the \$30 million possibly be, in terms of years; in a year, five years, ten years, or twenty years?

Mr. TAYLOR: I do not think I can answer that. It turns on world events.

Mr. DRYSDALE: The sort of naive problem which is perplexing me specifically is, you say you want some money and you do not know when you require it or how much you require. Why are you here now?

Mr. TAYLOR: I think a short answer to that may be this: it is quite within the realm of possibility that we would need the money faster than we could get the consent of parliament to the split.

Mr. DRYSDALE: There must be something motivating the company, at this particular time, rather than when they require it, say one year, two years or three years from now.

Mr. TAYLOR: We started this in the fall of 1956. We wanted to be prepared then for the next go-around of the financing. As it has happened, since that time; we have had additional financing and have sold more bonds.

Mr. DRYSDALE: You have no idea at present what your future plans are for expansion?

Mr. TAYLOR: No, not as to time.

Mr. DRYSDALE: You have no estimate at all? You do not attempt to predict in advance what expansion you are going to do.

Mr. TAYLOR: No. It would only be when the volume of business warranted it. Mr. Morrison may want to add something to that.

Mr. D. M. MORRISON (*President, Trans Mountain Oil Pipe Line Company*): To answer that, we did have a requirement thrown on us very suddenly and we had to finance in a great rush. The last expansion was a crash program, and it was a very costly one. At that time we prepared for future financing, because the estimates indicated our throughput would continue to rise from then on. In the meantime, we lost that business.

So although there is no immediate indication for a financing requirement, there could be at any time. Our present ceiling is 250,000 barrels a day. We could have shipped 300 or 400 thousand barrels a day in 1957 during the Suez period if we had had the capacity.

We want to be prepared to finance in the best way in the event of a similar situation, and that method would be indicated to us by our financial advisers at the time.

Mr. DRYSDALE: Your financial advisers would recommend some maximum productivity towards which you would be aiming?

Mr. MORRISON: The management of the company would do that.

Mr. DRYSDALE: You would possibly be aiming at some figure, say 300 or 400 thousand barrels?

Mr. MORRISON: Yes.

Mr. DRYSDALE: What amount of money would you have to invest to get your expansion to 300 thousand barrels at present?

Mr. MORRISON: I cannot give you that exactly; but we have a step by step program of expansion which would give us up to 600 thousand barrels. We have already purchased additional pipe which is standing out in a field in British Columbia which would take us to something like 288 thousand barrels.

Mr. DRYSDALE: What would that cost?

Mr. MORRISON: \$12 or \$14 million plus the cost of the pipe. We had planned to bring it up to 300,000 barrels as the next step.

Mr. DRYSDALE: What would that cost?

Mr. MORRISON: About \$30 or \$35 million, I believe, including the cost of the pipe. Then we could go from that to 400,000 barrels, 500,000 barrels, and then to 600,000 barrels. We have had it indicated that that sort of requirement might come upon us by 1962, 1963 or 1964 or somewhere in that period.

Mr. DRYSDALE: What would your expansion cost you at your maximum output?

Mr. MORRISON: \$200 million or more. These figures are from memory; it is in that order.

Mr. DRYSDALE: Returning to Mr. Pearce's statement, what in your opinion would be the effect at present of the five for one split on the market value of shares such as a shareholder has?

Mr. MORRISON: I might tell you when we approach of the financial houses the last time it was indicated that we would have to do some financing and that we might be required to give warrants; if it were a bond issue or debenture, we might be required to give warrants with it. You cannot very well give half a share. If they want to issue a number of shares along with the debentures, of say \$20 or so, and the stock happens to be at \$150, you cannot give a fifth of a share. It is easier, I think, to deal this way. I am not a financial man, but it seems a bit more flexible if you have units of a smaller size.

Mr. DRYSDALE: With reference to the wider participation by the public, what do your financial advisers, or your share or bonding houses indicate is to the extent to which the shares will be picked up by the Canadian public.

Mr. MORRISON: I suppose they would all be picked up. I do not see the oil companies buying any more.

Mr. DRYSDALE: Would it be intended to dispose of all the shares in Canada and none in the United States?

Mr. TAYLOR: Unless you go for new financing the split does not put any more shares on the market.

Mr. DRYSDALE: I realize that.

Mr. TAYLOR: The wider distribution resulting from the splitting is merely that you may have more people holding the shares of the company trading within themselves, whereas now we have seven thousand-odd shareholders and the effect of the splitting would be that we would have eight, nine or ten thousand shareholders.

Mr. DRYSDALE: I understand that the same number of people would have five shares instead of one share and because of the much smaller market value I would assume there would be more individuals likely to participate in a larger quantity of shares. In respect of that I am curious as to the extent of these new shares which would be issued, how they would be picked up by the public, and what the indication is as given by the investment houses because I think they would have experience in this matter and could give an indication.

Mr. MORRISON: They would go to the present holders.

Mr. RENWICK: Mr. Chairman, we have asked the Canadian investment advisers, the McLeod, Young, Weir and Company, and the Wood, Gundy and Company, of Toronto, to let us have any comment which they might wish to make on the proposed stock split. I have a letter here from them.

Mr. DRYSDALE: I would be very interested in having it read.

Mr. RENWICK: This is a letter addressed to the company and signed by McLeod, Young, Weir and Company and by Wood, Gundy and Company:

Dear Sirs:

In connection with your application before parliament of Canada for authority to subdivide the shares in your capital stock, we, as underwriters and distributors of the shares at the time of the initial public offering, think it appropriate to comment on the proposed course of action.

There are two principal reasons in support of the subdivision of the company's capital stock:

(1) The creation of a smaller share unit with a lower market value provides an opportunity for a larger number of investors to acquire an interest in the equity of the company.

(2) Establishment of a broader investment interest in the company should facilitate financing when more capital is needed to provide for additional plant facilities.

In seeking approval of a subdivision of shares it is appreciated that no change takes place in the paid-in capital or the equity behind the common shares as shown in the last balance sheet. The "splitting" of the shares merely creates a larger number of share units with a consequent downward adjustment in value to reflect the proposed exchange of 5 new shares for each old share.

This move follows a trend advocated both in and outside of parliament to have Canadians participate in the equity ownership of Canadian enterprises. A notable example along these lines was the case of the Canadian chartered banks. Formerly their shares were of \$100 par value each and had risen to such high market values that public ownership of their shares was severely restricted and the obtaining of additional equity capital to support an expanding economy was rendered extremely difficult. To rectify the situation the chartered banks appealed to parliament and parliament approved the subdivision of their shares on a 10 for 1 basis with the 1944 revision of the Bank Act. Since then the number of investors holding shares in Canadian chartered banks has been increased by approximately 65 per cent, while additional capital has been provided by the shareholders to the extent of nearly \$230 million.

A number of major Canadian life insurance companies, faced with a similar situation, sought and obtained permission during the period 1951 to 1953 inclusive to subdivide their shares on a 10 for 1 basis and thereby adjusted the market price of their shares with the consequent encouragement of wider ownership.

In addition, such leading industrial corporations as Aluminum Limited, The Bell Telephone Company of Canada, the Consumers' Gas Company and Consolidated Mine and Smelting Company of Canada Limited, among others, have found it desirable to subdivide their shares in recent years to widen share ownership and facilitate raising additional capital.

It is not without interest to look at the capital stock ownership of Trans Mountain Oil Pipe Line Company. When the company's financing was undertaken in 1952, 1,500,026 shares were issued. Of this number 26 shares were held by the original directors and the balance allotted as follows:

670,000 shares to the sponsoring major oil companies, including Imperial Oil Limited, Shell Oil Company of Canada, Limited, Canadian Gulf Oil Company (since taken over by the British American Oil Company Limited), Standard Oil Company of British Columbia Limited, Union Oil Company of California, and Richfield Oil Corporation

130,000 shares to Canadian Bechtel Limited, an engineering firm which sponsored the building of the Company's line

250,000 shares to Canadian oil producing companies other than those listed above, and

450,000 shares to the public.

As will be seen 30 per cent of the capital stock was made available to the investor. While every effort was made in the first instance to secure distribution on as wide a national basis as possible, ownership of these "public" shares since then has tended to accumulate in relatively few hands. This has been due in part to the fact the market value

of the stock has risen to the point where it became of limited interest to the average investor because of its cost. During the period from the beginning of 1957 and for 1958 to date the common shares of Trans Mountain Oil Pipe Line Company have ranged in value from a high of \$145.25 a share to a low of \$40.50 a share.

By splitting the shares of your company a larger number of shares would be made available for trading purposes at lower values. The lower unit value resulting from this move should unquestionably attract more Canadian investors, thereby achieving wider distribution of the company's shares.

In this connection we have been advised by a major trust company that it has been their experience that when a company subdivides its shares it can expect a 10 per cent increase in the number of shareholders in the year following such action and that ultimately the increase in numbers would run 15 per cent and higher.

The subdivision of the stock and the consequent downward adjustment in the market price of shares would unquestionably facilitate future equity financing by the company. To date the expansion in operations has been financed through retained earnings and the sale of first mortgage bonds. Sooner or later a list will be reached in the amount of financing that can be effected under the terms of the trust deed securing the presently outstanding bonds. When that happens then the company must look to other means of raising capital. Permanent capital can only be secured through the sale of capital stock. With a wider market for the company's shares better financing terms are possible as shares can be marketed at the lower price range which would result from a subdivision of the company's shares.

That it is easier to place shares selling at the \$10 to \$25 price range than at some higher level is attested by a sampling of the common stock financing in recent years, exclusive of rights offerings. The average offering price of 17 representative underwritings of the companies listed in the attached schedule was \$16.24 a share. The highest per share offering price was \$40 and the lowest \$4.50. Of the 17 issues the offering price of six issues were under \$11 a share, and only one was priced over \$27.50 a share.

For the reasons set out above we are convinced that the proposed subdivision of the company's shares is not only desirable but a constructive move. The broadening of investment interest through having a lower priced share follows the modern trend in financing, while the creation of a wider public investor interest should enable the company to secure future capital needs on a more favourable basis, all other factors being equal.

Mr. HOWARD: Mr. Chairman, I listened with a great deal of interest to the comments in opposition to this bill for the stock split which Mr. Pearce made. Inasmuch as Mr. Pearce is obviously an individual shareholder, and one of the largest, he is probably expressing the views of a number of other shareholders who own lesser numbers of shares.

I think we would be well advised to attempt to get the opinions of some of the other shareholders with respect to this stock split, and accordingly, I would move a motion to the effect that we do not now proceed with this bill but that we communicate with each of the shareholders, notifying them to appear before the committee or write to the committee so their opinions regarding the bill may be available to the committee.

Mr. FISHER: I will second that motion.

The CHAIRMAN: A public advertisement appeared in all the newspapers regarding this bill. I have doubts as to whether we would ever be able to get in touch with all of the shareholders, because the stocks are changing hands all the time. I doubt whether that could be done, Mr. Howard. I think it would delay the bill for perhaps another year or two years.

Mr. HOWARD: I may have said in my motion, "every shareholder", but I would change that to "those who are in a position to advise us at the moment". I do not intend that if I were a shareholder today and sold my shares tomorrow that you should attempt to contact me in this regard. I think probably we should contact those shareholders of whom we have knowledge at the moment.

Mr. RENWICK: I might point out to the committee that the by-law authorizing this application to subdivide the company shares was a matter considered at a meeting of the shareholders which was held in January of 1957. It was passed at that time by the shareholders, who had notice, as shareholders, of the meeting, of the purpose for which the meeting was called. Those shareholders approved of this step being taken by the company.

Mr. WRATTEN: How many shareholders were present at that meeting?

The CHAIRMAN: Mr. McQuarrie will answer that question in a moment.

Mr. WRATTEN: I have another question, Mr. Chairman. This question is relative to this motion. This is a question which Mr. Drysdale asked, which the president side-stepped very well. Mr. Drysdale asked the president what his opinion was in respect of what the price would be if these shares were split five to one. I noticed that he stepped around that question very well. Would he give us his opinion now?

Mr. MORRISON: I did not hear that question.

The CHAIRMAN: I think Mr. Taylor could make a comment in that regard.

Mr. TAYLOR: The immediate effect would be to divide the price by five.

Mr. WRATTEN: Yes.

Mr. TAYLOR: The market would probably "zig" a little bit, but we have read many articles written in the United States recently which indicate that the general tenor would be, unless the split is accompanied by an announcement that there was some increased dividend, that the market is divided by the ratio of the split, and stays about there.

If there is an announcement of an increased dividend, it might increase the share value a little.

Mr. WRATTEN: The present price of a share, as I understand it, is approximately \$60?

Mr. TAYLOR: Right.

Mr. WRATTEN: This would then bring it down to approximately \$12 a share, is that what you mean?

Mr. TAYLOR: Yes.

The CHAIRMAN: Mr. McQuarrie has that figure you asked for.

Mr. MCQUARRIE: At the special general meeting of the company held on January 8, 1957, at which this specific resolution in regard to the stock split was passed, there were 1,062,581 shares represented in person or by proxy.

Mr. WRATTEN: Do you know the number of people who were there?

Mr. MCQUARRIE: Fifty-three people were present representing 5,326 shares, and the balance of the shares, of course, were represented by proxies which were sent in to the meeting.

Mr. DRYSDALE: What percentage was required to pass that resolution? Was two-thirds required?

Mr. TAYLOR: I believe that is correct.

Mr. SMITH (*Simcoe North*): I have two or three questions to ask which are more or less in sequence, Mr. Chairman.

The first question I would like to ask of the treasurer of the company. Is it not true that the price of the shares, after a stock split, will depend on the purpose for which the stock split is made? In other words, if the company sold split shares in order to retire the bonds, would that more than likely have an effect on reducing the price of shares generally, because the earnings for the shares are higher than the earnings required to meet your interest charges on the bonds? Would this have that effect?

Mr. TAYLOR: The company is not planning to sell any more shares.

To come back to your first statement, the purpose of the split is merely to subdivide the shares. There is no other purpose.

Mr. SMITH (*Simcoe North*): Are you seriously suggesting that the purpose is not to sell more shares?

Mr. TAYLOR: The purpose of the stock split is to make it easier to sell shares in the future. When we sell them we will sell them at a price relative to the market price at that time, and not relative to the present market price.

Mr. SMITH (*Simcoe North*): The company was incorporated in 1951. On what date did the company start operations?

Mr. TAYLOR: The company started operations in October of 1953.

Mr. SMITH (*Simcoe North*): You applied to parliament in 1955 for a stock split?

Mr. TAYLOR: No, I am sorry. In 1957—last year—we applied to parliament for a stock split.

Mr. SMITH (*Simcoe North*): That was at the beginning of 1957?

Mr. TAYLOR: Yes.

Mr. SMITH (*Simcoe North*): Then that comment of McLeod, Young, Weir and Company which makes a comparison with bank stocks and insurance company stocks is rather misleading, because the banks and insurance companies have been in business for 50, 60 or 100 years whereas here we have a company that is barely in operation and wishes to change its finance structure. Is that not a misleading situation? This seems to mislead me anyway.

Mr. TAYLOR: We started business in October, 1953 and lost \$470,000 in two and one half months. During the whole year of 1954 we lost \$1,256,000; in 1955 we earned \$3,086,000; in 1956 we earned \$6,991,000; in 1957 we earned \$8,306,000. I might just add here that this will be public knowledge in a matter of a day or so, but in the first half of 1958 we had earned about \$300,000. If you multiply that figure by two you will arrive at a figure of \$600,000, or one-half million dollars for profit which is not too far wrong.

Mr. SMITH (*Simcoe North*): Is the \$60 million debt by way of debentures, or bonds?

Mr. TAYLOR: This is by way of first mortgage bonds.

Incidentally, I might, for the sake of accuracy, correct Mr. Renwick in regard to that figure. That original figure was \$65 million not \$60 million.

Mr. SMITH (*Simcoe North*): The figure was \$65 million?

Mr. TAYLOR: The figure was \$65 million in 1952. In 1954 we sold a small issue of six million, and in 1957 we sold 30 million. With the usual retirement in the meantime, that gives us a funded debt of about \$100 million in first mortgage bonds.

Mr. SMITH (*Simcoe North*): At what interest rate are those bonds, six per cent or seven per cent?

Mr. TAYLOR: There are different series of issues at interest rates of four per cent, eight per cent and four per cent, and last year five per cent in the United States and five and one-half per cent in Canada.

Mr. SMITH (*Simcoe North*): Do they carry any stock warrants, bonuses or privileges?

Mr. TAYLOR: No, they were sold to institutions with the guarantees, as Mr. Pearce has said, by the oil companies, but with no bonuses.

The CHAIRMAN: Mr. Pearce wishes to say something.

Mr. PEARCE: I do not like to interrupt the procedure of your meeting, but one member of the committee asked a question in regard to what happened when stock was split. I think this question was asked either of Mr. Taylor, Mr. McQuarrie or Mr. Morrison, the president of the company.

I think it is obvious to you gentlemen of the committee what happens when a stock is going to be split. When the announcement of this stock split was made the stock was selling at \$100 per share. When the announcement was issued the value of the stock went down to \$40.50. I believe that answers this question. That is not anyone's opinion, that is fact.

In answer to another question put by a member of the committee Mr. Taylor said that the company was not planning to sell any more shares. Why does the company want a stock split? Are stock certificates pretty things to look at, and instead of having 3,500,000 shares in the treasuries of these big oil companies we will have 17,500,000 shares?

I think those questions are imperative, and I think they deal with the effects of the situation. I do not think anyone's opinion is worth anything, especially an opinion like that expressed by McLeod, Young and Weir. McLeod, Young, Weir and Company have been the biggest sellers of Trans Mountain Oil Pipe Line Company's shares over the period of the last year. They probably do not like this stock split either.

I think these things are things that members of the committee ought to know about. These are facts. I know that when a committee of parliament is dealing with a matter as important as this, the committee should have facts and not hearsay.

The CHAIRMAN: Thank you Mr. Pearce.

Mr. THOMPSON: Mr. Chairman, in regard to the motion made by Mr. Howard that other shareholders should appear as witnesses, I do not think it is necessary because, as far as I am concerned personally, I am not convinced yet that this stock split is necessary. The company has not demonstrated this morning any immediate need for this stock split. The company has not given the committee any reason for an immediate stock split. In view of Mr. Pearce's remarks about the lowering of the value of the shares by splitting the shares, and the fact that this might upset the value of the present issue of shares, I do not think it is a good idea to do so at the present time unless the company can show some reason why they need the money right now.

If they have some development which must be done immediately then I think I could go along with this bill, but unless they can show some immediate need for money I think it would be much better to wait until they do have something in mind at which time they could come back and ask for this present legislation.

Mr. MORRISON: In regard to the immediate need, gentlemen, we attempted to get this stock split bill through when there was an immediate need. That was well over a year ago. If that need arises again, and if it is going to take another two years or so to get this authorization—I think that is probably a sufficient answer.

Mr. PEARCE: Could I ask Mr. Morrison a question, sir?

The CHAIRMAN: Yes, Mr. Pearce.

Mr. PEARCE: Mr. Morrison, is it not a fact that Trans Mountain Oil Pipe Line Company has a very high standard in the bond market?

Mr. MORRISON: I hope so, Mr. Pearce.

Mr. PEARCE: You have proven that in the way in which you have raised money very easily in the past.

Mr. MORRISON: That was not too easy, Mr. Pearce.

I do not know what better security we could have than the guarantee of these major oil companies. There is probably no better guarantee possible. Mr. Pearce, it is rather odd to find you and the C.C.F. on the same side. I am rather confused by this situation.

Mr. PEARCE: I am certainly not interested in this as a political situation. I am not interested in the C.C.F. I am only interested in sound economy, that is all, sir.

The CHAIRMAN: All right, Mr. Pearce, thank you.

We had a motion that we do not now proceed with this bill but that we communicate with each of the shareholders notifying them to appear before the committee or write to the committee so that their opinions regarding the bill may be available to the committee. This motion was moved by Mr. Howard, seconded by Mr. Fisher.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I have a question—

Mr. WRATTEN: I have just one question, Mr. Chairman.

Mr. SMITH (*Simcoe North*): My question has nothing to do with this particular motion.

The CHAIRMAN: We are now considering the motion.

Mr. DRYSDALE: Mr. Chairman, in order to avoid the possibility of the company going to all this additional expense and difficulty I think the problem implicit in Mr. Pearce's remarks is, first of all, that the individual shareholders represent a minority group and, I would assume, represented by proxy, and that therefore the oil companies would have had no difficulty in getting this resolution passed. In other words, there would not be sufficient individual shareholders to oppose it. What Mr. Pearce is apparently worried about is that his stock, let us say, \$60 today, is being split five ways; theoretically each share would be worth \$12. But his contention, and the problem I have raised two or three times, and to date have not got an answer satisfactory to myself, is that very likely the effect on the market will be that shares may possibly sell for \$10 or at less than \$12. In other words his equity through the split is becoming less, through more shares.

I would like to have the members of the company express some opinion on what the effect of the stock split will likely be on the value of the shares, because I believe that is Mr. Pearce's main contention.

Mr. TAYLOR: As I said, the immediate effect would be to divide the market price by five.

Now, whether or not you split, subsequent events, world-wide, or stock market interest, or other economic interest, are going to make fluctuations, whether it is \$60 before the split or \$12 after. I do not think that one can guess that it is more likely to be \$10 than \$14. In the last few days we have seen it go down from \$73 to \$60. That was not because of the split. As I said, from an article we have read in the United States, from the Harvard Business Review, they came to the conclusion that unless there was some increased dividend action announced at the same time as the split took place, that the market effect is really just the ratio of the subdivision.

Mr. DRYSDALE: In other words, you would say that each of those shares would go on the market for \$12?

Mr. TAYLOR: Yes, if it were done when the market was at \$60. The next trading would be at \$12. After that it would depend, not on the split but on the general economic conditions as developed before the split.

Mr. DRYSDALE: In fairness to the company, I am interested in the facts. The difficulty I am having, to get information about your expansion, lies in the fact that any intention of any expansion in the immediate future would have a substantial effect on the sales of the shares.

Mr. MORRISON: If a condition developed that would require expansion, I suppose it would. That I think was the reason for the stock going from \$100, as Mr. Pearce mentioned, to \$145. We saw business ahead of us that we could not carry. And the Suez situation was such that Canada could have exported all the oil we could get to tidewater. It was indicated that that situation might last for a considerable period of time. What happened when the canal reopened was that there was a great surplus of tankers and of oil, and ships were running actually at a loss. The actual freight from the Persian gulf to Puget Sound varied from something like the less than \$2 or \$1—and Mr. Hurd could give a better figure—to something like \$6 per barrel, when the value of that oil was only \$1.85. Is that right?

Mr. E. C. HURD (*Administration Manager, Trans Mountain Oil Pipe Line Company*): Yes.

Mr. MORRISON: So that the variation in freight alone was two or three times the value of the oil.

Mr. DRYSDALE: I think the difficulty with myself, and perhaps with some of the other members of the committee, is that the two reasons advanced were wider participation by the public and secondly, if and when you needed additional financing. I think the committee is having difficulty in understanding why it is necessary to do it now since you seem to have no idea—to put it bluntly—as to when you are going to expand. That was the only reason I made that suggestion myself. I thought perhaps if there was an intention to expand in the near future, then I assumed you would not want to divulge it, even to the committee, because that would probably increase the value of the shares. But you can see Mr. Pearce's dilemma, as a minority shareholder, that he is in the situation that he apparently cannot see either, as to why the split is necessary, when it is going possibly to mean a substantial diminution in his equity.

Mr. MORRISON: I do not know if I can make it any clearer. The demand on us may come about more suddenly. We cannot tell now when that demand will come. But in a situation where there is a stoppage of oil flow in Iraq, or any of the Middle Eastern countries, it would immediately develop a requirement for Canadian oil from the Pacific coast. Who can tell when that is going to happen? We are not hiding anything at all. I can show you any estimate we have made. Our administration manager is here. In connection with any problem of oil flowing through the system, he will answer any questions in that connection.

Mr. DRYSDALE: If it is a question of expansion, would not the various oil companies, the major oil companies be able to provide you with interim financing, and then you could come back to parliament at that time to get the necessary expansion?

Mr. MORRISON: I have not seen them offering anything.

Mr. WRATTEN: I think we are getting farther away from the motion, are we not?

Mr. SMITH (*Simcoe North*): My difficulty with this matter does not come from whether Mr. Pearce is being adequately protected or not being adequately protected, because the shareholders in the company knew what they were doing when they bought the shares; and they know that if this were a private company, not incorporated by Act of Parliament, none of this would happen. If it were an Ontario company or an Alberta company we would not be worrying about the protection of the shareholders.

My difficulty in the matter comes from something entirely different. Trans Mountain Oil is, as I understand, a monopoly; and it is a monopoly that was granted by the Dominion Government. Their profits were largely made, not completely by the expansion of trade but by the fact that they were a monopoly. And when they are monopoly they have an exclusive right to carry oil from Alberta oil fields to the Pacific coast. I think that is right, is it not?—that you have the exclusive right?

Mr. MORRISON: We have the only pipe line.

Mr. SMITH (*Simcoe North*): Yes, you have the only pipe line. Therefore, in a sense, although you are not a public carrier, you are in effect a public utility because you are providing a service. Whether or not this stock split is arranged to get to refinance your bonds and get your major oil companies to give you guarantees, is something I do not think matters very much—or whether it is to arrange for the convenience of McLeod, Young and Weir, and finding more money for you. But I do think that nobody is being entirely forthright in the matter when they say that they have no plans.

I am quite satisfied that there must be plans in the back of some minds as to what is going to be done when this stock split is made; and I think that we are entitled to know, with a considerable degree of particularity, as to what will be done when the stock split is going to be made. Is it going to be used for the purpose of issuing more treasury shares and retiring bonds? Is it going to be used for the purpose of increasing the size of your pipe line, the size of your storage facilities—or what? There must be plans, I think, having regard to the speed with which you have attempted to change your capital construction. It may be that the company has not planned too far ahead in these matters.

But, generally speaking, I think there must be plans; and I think that this committee should know and is entitled to know, with a considerable degree of particularity as to what your plans are, having regard to the fact that you have a monopoly and are, in a sense, a public carrier of oil.

Mr. MORRISON: In so far as having plans, we do have plans. We have very specific construction plans, of how we would increase the capacity and how much it would cost. The timing of that is a thing that we do not know, but it may come on us very suddenly. Therefore we would like to be prepared to finance in the best way possible as we will be advised by our financial committee.

Mr. SMITH (*Simcoe North*): For example, is there any plan and any discussion about retiring the bonds of the company?

Mr. TAYLOR: No; I have been trying to get a chance to say that. There has been no suggestion made, not even the vaguest one, that we would ever sell to retire the present debt.

Now, the present situation of the company is, as Mr. Renwick has pointed out, that it has about \$100 million worth of bonds and \$15 million worth of stock, and also has about \$14 million worth of accumulated earnings.

If we were hit, within a comparatively short time—let us say a year—with a major expansion project that would cost, let us say, \$25 million to \$30 million, we could not, right now, as I believe, raise the money by bonds. We would be forced either to raise the money by the selling of shares or a combination of bonds and shares.

If we are given a couple of years of satisfactory earnings before we are hit with the expansion, it is quite possible that we could finance that next stage of the expansion without either selling bonds or selling shares.

I am trying to be perfectly honest with you. We have no plan for financing at the present time because we do not see yet the need for it. But the suggestion that we are going to sell shares to use the money to retire the bonds and get the guarantors or the sponsors off their commitments is quite unfounded.

Mr. PEARCE: The statement was made by your solicitor, in answer to a member of the committee, that a portion of these stocks might be used for the retirement of bonds.

Mr. TAYLOR: No, he did not say that. He said it might be sold with bonds.

Mr. BATTEN: May I ask for a review of some of the figures. Would the treasurer give me for the years, in round figures, the profits of this company for 1955, 1956 and 1957.

Mr. TAYLOR: Yes.

Mr. BATTEN: You gave it before, I think.

Mr. TAYLOR: For 1955 it is \$3,086,000; 1956, \$6,991,000; 1957, \$8,306,000.

Mr. BATTEN: And your estimated profit for the present year is what?

Mr. TAYLOR: May I let it go at less than a million dollars.

Mr. BATTEN: Yes. And out of \$5 million worth of stock that you have, the company owns \$3,500,000?

Mr. TAYLOR: Out of 5 million shares of stock the company has not sold 3,500,000.

Mr. BATTEN: And it is not your intention to sell any of that 3,500,000?

Mr. TAYLOR: Not at the present time, no—whether it is split or not. There is no present intention to sell any.

Mr. HORNER (*Jasper-Edson*): Could any extension of the company be related particularly to the storage facilities on the coast? It would not be related to the doubling of the line, or anything of that nature?

Mr. MORRISON: No, it would be essentially for more line. We have already put in two parallel sections. That was the last expansion; and if we had the business and the requirements to continue we would eventually end up with a complete second line.

Mr. HORNER (*Jasper-Edson*): Is it not true that if the business was there, if the need was there for this entire double line, and if the economy was such, that the oil expansion program could take that, that you would not have any difficulty at that time financing the additional line? You did not have difficulty financing the first line, and you should not have any difficulty in financing a double line, if the business were there at the time you required it.

Mr. TAYLOR: Just as in buying a house, you have to have a down payment of a third, and then you can borrow the other two-thirds.

Mr. HORNER (*Jasper-Edson*): But you would not have any difficulty in doing that because the major oil companies, which are your major shareholders—it would be to their benefit to have that additional outlet for their product. I would say that therefore at the time you want the expansion you should not have any difficulty raising the financing, so far as I can see.

Mr. MORRISON: The oil that would be shipped through our line would not necessarily be the oil of our major bond holders or stockholders. It is pro-rated in Alberta.

Mr. HORNER (*Jasper-Edson*): I am aware of that, being a member from the Province of Alberta. But it seems to me—it is pro-rated—but the larger the total, the larger the pro-ration of the major oil companies. And that is the only way they can increase their ratio, by having a larger total.

Mr. MORRISON: Yes.

Mr. HORNER (*Jasper-Edson*): And at the moment, so far as I can see, the major oil companies in western Canada, the independents—that is the way they can keep living, by having their own ratio. And that has to be there. But at the same time the only way the major oil companies can increase their production is to have their market in total. Therefore they are going to be vitally interested in building this line. I do not think there would be any difficulty in financing it when you need it.

Mr. MORRISON: I think Trans Mountain will want to stand on its own feet. It will want to go out and finance on the basis of Trans Mountain business, not on the basis of the backing of the major oil companies.

Mr. HORNER (*Jasper-Edson*): Well, after all, the majority of your stock is held by your major oil companies.

Mr. MORRISON: No, not the majority.

Mr. HORNER (*Jasper-Edson*): They control the thing.

Mr. TAYLOR: No; as of March this year there are 570,000 shares, with the major oil companies as we mentioned before. There are 50,000 shares with other smaller producing companies and 882,000 that are not held by the oil companies.

Mr. TUCKER: When was the last general meeting of the shareholders held?

Mr. MCQUARRIE: April 8, 1958.

Mr. TUCKER: I understood the last meeting was held on January 8, 1957?

Mr. MCQUARRIE: I did not hear you.

Mr. TUCKER: I understood the last annual meeting by the shareholders was held on January 8, 1957.

Mr. MCQUARRIE: No; the January 8, 1957, meeting was a special meeting of shareholders held to consider this bill, among a couple of other things. It was a special meeting called to approve this by-law No. 5.

Mr. TUCKER: The company holds annual meetings, does it?

Mr. MCQUARRIE: Every year, that is right. But because of the timing it seemed advisable to have a special meeting to advise the shareholders about the proposed stock split, and they approved of it.

Mr. DRYSDALE: You very kindly gave me the breakdown of your barrel production, as to the proposed increase. I was wondering if you could indicate what the time factor is that is involved for the various stages in construction.

The CHAIRMAN: Mr. Hurd will answer that question. He is the administration officer of Trans Mountain.

Mr. DRYSDALE: Just for the convenience of the record, could you tie in the amount of money, also as to the time of the expansion at the same time.

Mr. HURD: I perhaps will not be precise.

Mr. DRYSDALE: Just a rough indication.

Mr. HURD: As Mr. Morrison has said, we have specific plans in an engineering way to increase the capacity of our system by stages, up to capacities of maybe 600,000 barrels a day, or even more than that; and the only thing we have that ties that in with time is the result of an extensive survey made by Stanford Research Institute in 1956. At that time it showed that we would need to be above the figure of 250,000, which is today's capacity, some time about 1961 or 1962, and going on up to a higher figure in subsequent years.

The incidents of the Suez crisis apparently show that this estimate was low at that stage of the game.

But the general recession in the world oil picture, the surplus of oil, and the surplus of tankers in consequence, and the lower tanker freight rates, brought the number well below the estimate that the Stanford Research Institute had put together on the basis of their study.

Mr. DRYSDALE: Mr. Hurd perhaps can help me. What I am interested in is that you are producing 250,000 barrels a day. Mr. Morrison said that a certain situation might arise, let us say today, that would necessitate your going up to the next step, whether it is 350,000 or 400,000. He gave me a cost figure on the first step of \$13 million. What I am interested in is starting out at X days would end up with fifteen million—how long that will take. Will it take one year or six months or 10 years?

Mr. HURD: To build the plant, do you mean?

Mr. DRYSDALE: Whatever is necessary to come up to the next step. I do not know what is necessary. You have a series of steps, and you are putting up the money on it. I assume that there will also be an approximate time schedule to reach that particular step, regardless of when it is taken.

Mr. MORRISON: Perhaps if we told you a little of the story, as it was during and before the Suez period, it might help.

Mr. DRYSDALE: Mr. Morrison, I do not think that is relevant. It is going to take you a certain number of dollars, let us say \$15 million, to come up to a stage. It does not matter whether you go up to 400,000 or 500,000. You will require \$15 million for 400,000 and \$30 million for 500,000. How long will it take you to reach that stage in construction time?

Mr. MORRISON: I was coming to that. We had a well organized plan to expand, to go from 200,000 to 300,000, which was estimated to cost \$70 million. These are round figures, from memory. They are not our exact engineering figures. That was to have taken place in the next two years, I think, from that time.

Now, Suez came on us, and that was broken down into the first and possibly the second and the third step. The first step was rushed, as a crash program, costing \$30 million, and it brought us up to 250,000 barrels in a very short period of time, as such construction goes. The rest of \$70 million could have been divided into two further steps, one to take us to 288,000—and that could be done if required in, I think, six months time, if it happened to be in the summer time. The same would apply to the next step.

Then, from then on, it would depend on the shape of the curve that we had as we approached the time required, as to just when we would take the 350,000 or 400,000 or 500,000 or 600,000 barrel steps.

Mr. DRYSDALE: I realize it is a matter of time. But you will have the approximate maximum and minimum period of construction time involved to reach that objective, whether by a crash program or whether under normal circumstances.

Mr. MORRISON: It is summer-time work.

Mr. DRYSDALE: What is it from 300,000 to 400,000?

Mr. MORRISON: What is what?

Mr. DRYSDALE: The cost, in millions of dollars. I am interested in seeing how the curve goes up.

Mr. MORRISON: We did not bring our engineering studies with us. We have a whole series of forward orders on pipe. Those figures are quite definite. The construction costs will vary from time to time. The total costs to get up to the 600,000 market I think was \$225 million. That is from memory.

Mr. DRYSDALE: How long would that take, if you had to start from today, and that situation arose?

Mr. MORRISON: It would depend on the urgency. If we had time to do the engineering work, we could certainly get it in two construction seasons, and they might get it in one because we have the right-of-way, and a great deal of preliminary work has already been performed. We had the right-of-way for the next stage to go to 300,000 at the time of the 250,000 barrel program.

Mr. DRYSDALE: One year would do it, then?

Mr. MORRISON: I would hate to state definitely—but certainly in two construction periods. I think we could do it mostly in one.

Mr. McPHILLIPS: This is really a question of procedure. This resolution seems to be hanging over our heads. We should dispose of it before we go on to any further discussion.

Speaking for myself, I think there is no merit in the motion at all because these applicants, like all applicants to parliament, are required by law to do some expensive advertising; and that is for the purpose of advising the shareholders or anyone else, so that they might be apprised of the action being taken. I think it would be improper to delay this.

The CHAIRMAN: Are you speaking on the motion?

Mr. THOMPSON: I wish to ask a question of Mr. Morrison. You referred to the expansion and the fact—

The CHAIRMAN: We cannot hear what you are saying.

Mr. THOMPSON: Mr. Morrison spoke about expansion, and the fact that the company has plans for expansion if and when the time comes at some indeterminate future date.

I take it for granted that this stage might be, in case war broke out, or in case we have some trouble in the Middle East; and if that time comes, is it not the case that you would have no difficulty in selling the shares as they are, and that people would buy them up without having them split? Would you encounter any difficulty in selling your shares, when the time for expansion comes?

Mr. MORRISON: Mr. Chairman, your question was as to whether we would have any difficulty in financing if this emergency did develop, is that right?

Mr. THOMPSON: Yes.

Mr. MORRISON: I think we would. It would depend on the method suggested by the finance committee. And if it were a matter of debentures with warrants, then warrants of the value of the stock as it might then be might be more difficult to dispose of. I can see these shares going up again to the \$150 mark. If it is desired that the warrant price be something like \$20, what are we going to do? We cannot sell a fifth of a share.

Mr. THOMPSON: How about selling more shares, Mr. Morrison?

Mr. MORRISON: It is the public that is going to buy these shares, and apparently the public prefers to buy shares in smaller denominations.

Mr. TAYLOR: We cannot sell these shares at very much less on the market, I think that is perhaps the point that is missed.

Mr. CHOWN: I think perhaps I should declare that I have a small interest in this company before I ask a question, Mr. Chairman.

The financing that you did on the crash program as the result of the Suez crisis is the financing that you described to us whereby these oil companies stepped in as guarantors of these bonds, and this financing was done with these bonds?

Mr. TAYLOR: Yes, in the same way as the original financing was done, as far as bonds were concerned.

Mr. CHOWN: How much money did you receive at that time?

Mr. TAYLOR: Last year we raised \$30 million.

Mr. ALLMARK: Mr. Chairman, I understand that the operating capacity of the line in 1957 was 100 per cent?

Mr. TAYLOR: That is right.

Mr. ALLMARK: You were operating at 100 per cent capacity in 1957?

Mr. HURD: Not for the whole year. We were operating at 100 per cent capacity for the first part of the year, but we dropped off later.

Mr. ALLMARK: What was the operating capacity for the whole year then?

Mr. MORRISON: We just finished the expansion when the Suez crisis ended.

Mr. ALLMARK: I am just asking for a rough idea.

Mr. HURD: For the first half of the year we were pumping at capacity, which at that time was not 250,000 barrels, but about 180,000 barrels on the average. The peak capacity at the end of the second quarter was 200,000 barrels. The average for the year was just under 155,000 barrels.

Mr. ALLMARK: Your earnings at that time were \$8,350,000. What were your earnings per share in 1957?

Mr. TAYLOR: The earnings per share were \$5.52.

Mr. ALLMARK: \$5.52. What is the operating capacity at the present time?

Mr. HURD: 250,000 barrels per day.

Mr. ALLMARK: What is your levelling off, at the present time?

Mr. HURD: About 80,000 barrels per day.

Mr. ALLMARK: What are your earnings per share at the present time?

Mr. TAYLOR: Twenty-three cents for the first six months.

Mr. WRATTEN: Mr. Chairman, are you going to put the question now?

Mr. HORNER (*Jasper-Edson*): On the motion, Mr. Chairman, I was wondering if it would be wise for the committee to have some further advice from independent bodies in this regard. I am thinking particularly of the Canadian petroleum association and perhaps other people connected with the stock market. Perhaps we could have some further advice in regard to what this split will do. I do not think we have had sufficient advice this morning, and I feel we should have some outside advice in this regard.

The CHAIRMAN: You have had some advice from the McLeod, Young, Weir and Company.

Mr. HORNER (*Jasper-Edson*): Yes, but that is a single opinion from a company which is obviously involved in this transaction. I think we should have some independent advice.

The CHAIRMAN: That firm is responsible for the transaction.

Mr. HORNER (*Jasper-Edson*): That firm is obviously involved in this transaction.

Mr. TAYLOR: I would just like to say—this may be an unfair implication—that if there is just a split of stock, nothing will accrue to McLeod, Young, Weir and Company, or Wood-Gundy because of that fact.

Mr. HORNER (*Jasper-Edson*): That is true if there is just a split, but if there is an increase in activity, or if there are plans for the sale of stock in the near future then they are involved.

Mr. TAYLOR: There are no such plans.

Mr. HORNER (*Jasper-Edson*): McLeod, Young, Weir and Company are your financial advisers, and I think we should have independent advice on this matter.

Mr. MORRISON: Could the answer not be taken from that Harvard business review article that Mr. Taylor mentioned? That was a study of some 70 major companies in the United States, I believe, who had split their shares. This was a statistical review of the results of those splittings. This showed that unless there was an increase in the dividend, that there was no rise except during the short period of increased activity following the split, but if the dividend remained the same, there very often was a slight reduction.

That review was the best we could find in searching through the literature.

Mr. HORNER (*Jasper-Edson*): That review, of course, applied to the United States?

Mr. MORRISON: I do not believe there would be much difference in the reaction between Canadian and American investors.

Mr. DRYSDALE: Mr. Chairman, Mr. Pearce in his statement alleged that notification of the stock split drove the price down from approximately \$100 per share to \$60 per share. I would be interested to have a comment from the various gentlemen here in that regard. If that is not the cause then I would be interested in having a specific comment—not generalities—as to what caused the drop in the market price of the shares.

Mr. TAYLOR: I am speaking from memory, now, but my recollection is that when the proposal to split the stock was first announced in the latter part of 1956 the market price of the shares was in the neighborhood of \$70.

Mr. PEARCE: What was that again?

Mr. TAYLOR: I said, my recollection is that when the proposal to split the stock was first made public in the fall of 1956, or towards the end of the year, the market price of the stock was in the neighbourhood of \$70. It went up at that time. I know for a fact that towards the end of November it was 93. I would say that the stock rose on the announcement of the split. Then it crowded upwards rather continuously with I believe the pressure of the Suez incidents at the same time until it reached \$145-odd in June of last year. You may remember that we were here during that first six months of last year and the stock split was being debated in the then parliament quite strenuously.

With the reduction in volume after the settlement of the Suez affair, the market started to sag off and it fell fairly regularly, I believe, down to \$43. I think that was the figure mentioned by Mr. Pearce. Then it began to come up again. It came up in some leaps and bounds and it got up to \$73, and then within the last three or four weeks it sagged off to the present level of \$60.

Mr. DRYSDALE: But the first decline was due to the first intended stock split?

Mr. TAYLOR: No. It went up after the proposal to split was announced.

Mr. DRYSDALE: That was at the time of the Suez crisis?

Mr. TAYLOR: Well, it was percolating then. I do not believe it had reached the crisis stage.

Mr. MORRISON: It started around October.

Mr. DRYSDALE: Would you attribute the rise to the fact of the stock split?

Mr. TAYLOR: Not really; no. But it certainly has been declining.

Mr. PEARCE: The splitting of the stock—

The CHAIRMAN: Mr. Pearce, you can make statements, but if you wish to ask questions you must do so through the chair.

Mr. PEARCE: Before the directors decided on the splitting of the stock it was public knowledge?

Mr. TAYLOR: No; not before the directors decided on it.

The CHAIRMAN: We cannot have questions by you or any witness. You have to ask them through the chair.

Mr. PEARCE: I appreciate the courtesy being extended to me. Through you, Mr. Chairman, I would like to ask the president, Mr. Morrison, if in answer to a question asked by a member of the committee he said it was not their intention to sell any of the present stock which they have in their treasury in the amount of 3,500,000 shares; he also said it was not their intention to use any of the 17,500,000 shares they are going to have for the refinancing.

I would like to ask Mr. Morrison what is the purpose then of maintaining either the 3,500,000 shares before the split or the 17,500,000 shares after the split.

The CHAIRMAN: You are asking that through me.

Mr. MORRISON: I do not remember making any such statement. It was probably Mr. Taylor.

Mr. SMITH (*Simcoe North*): Yes.

Mr. TAYLOR: Yes. There is no present intention of selling any shares, but we want to be in a position to be able to sell shares at a reasonable price per share if we have to sell shares.

Mr. SMITH (*Simcoe North*): In view of what Mr. Morrison just said, will he confirm what the treasurer just said?

Mr. MORRISON: Yes, sir.

Mr. NIXON: I was just asking the witness, when he says that there is no intention of selling these shares whether he means that there is no intention at the present time?

Mr. TAYLOR: Yes, that is right.

Mr. NIXON: But that it might become your intention later on.

Mr. TAYLOR: Yes.

Mr. NIXON: I think that is where the confusion comes about.

The CHAIRMAN: Before I put the motion, does anyone else wish to speak to it; does anyone wish to speak to the motion?

Mr. RENWICK: I am not speaking either one way or another. I just wish to make certain that the members in the committee understand the facts of what the company has done so far as informing their shareholders is concerned.

It enacted a by-law in December of 1956. The directors enacted that by-law and called a special general meeting of the shareholders for the purpose of considering the by-law, which was a by-law authorizing the company to make application to parliament for a bill to subdivide the stock.

That meeting was held in January of 1957 and the by-law was approved by the shareholders and sanctioned at that time.

When the first application was made to parliament in the spring of 1957 public notice was given as required by the rules of parliament.

Again, this year, when the application was presented to parliament the same public notice was given. Therefore we would feel that any shareholder who wished to appear, as has Mr. Pearce, and who wished to do so, could have been here today.

Some Hon. MEMBERS: Question.

The CHAIRMAN: Gentlemen, the motion has been moved by Mr. Howard, and you have heard it. It was seconded by Mr. Fisher. All those in favour of the motion will please indicate.

And a division having been taken—

The CHAIRMAN: I declare the motion defeated.

Mr. HORNER (*Jasper-Edson*): I would like to move that we ask for an independent opinion of the stock exchange, if necessary, or whoever would be available, and also for an opinion from petroleum associations in western Canada.

The CHAIRMAN: Is there a seconder for that motion?

Mr. SMALLWOOD: I second it.

The CHAIRMAN: How would you word that motion?

Mr. SMITH (*Simcoe North*): What Mr. Horner is suggesting is really that we call in some outside witnesses. I doubt if the committee has the authority to take an opinion. I think it is a suggestion that we might at another session call outside witnesses, which might be a proper thing for us to do.

Mr. DRYSDALE: Amend your motion.

The CHAIRMAN: Would you write out your motion, Mr. Horner.

Mr. DRYSDALE: I think, too, speaking to the motion, that we have raised quite a few questions. I think in fairness to the company they would like you to give a more detailed answer. With reference to the statement made by Mr. Renwick, although I realize that the independent shareholders are apparently in the majority, I would be interested to find out, from these shareholders, those who are affiliated in any way with the oil companies.

Mr. RENWICK: Mr. Chairman, at the present time there are 570,000 shares of the 1,500,000-odd shares outstanding which are held by the major oil companies who are the guarantors under the deficiency agreements for the \$100 million approximately, the principal amount of first mortgage bonds.

Mr. DRYSDALE: Mr. Chairman, I am sorry to interrupt, but does that include the 130,000 or 230,000—whatever it was—that was disposed of?

Mr. RENWICK: That does not include that.

Mr. DRYSDALE: You stated earlier that you did not know where the 200,000, or 130,000 have gone?

Mr. RENWICK: That is right.

Mr. DRYSDALE: So they could have been disposed of by the oil companies to other oil interests, or they could have been disposed of to the general public?

Mr. RENWICK: No, I think we can say that we do not know to whom they went, but they did not go to the oil companies.

Mr. DRYSDALE: How do you know that if you do not know where they went?

Mr. RENWICK: Because the records of the company as at the end of March showed that there were 570,000 shares held by sponsoring oil companies, 53,000 shares by other oil companies and 881,903 by all other shareholders.

Mr. DRYSDALE: Those figures would not include shares that would perhaps be disposed of to the president or other members of these particular oil companies, would they?

Mr. RENWICK: No, but I do not believe the company has any knowledge of that.

Perhaps these figures may be of interest, Mr. Drysdale. At the end of March of this year Canadian individual shareholders numbered 5,396—that is individual Canadians.

Mr. DRYSDALE: But you do not know whether those individual Canadians are affiliated with oil companies or not?

Mr. RENWICK: No. Those individual shareholders held 255,334 shares. Canadian companies, of which there were 618, held 959,669 shares included in which, of course, would be some of the major companies, which are Canadian companies.

Mr. DRYSDALE: Perhaps I could simplify or clear up this difficulty. When you passed this special resolution how many shareholders representing how many shares, if any, voted against the resolution for a stock split?

Mr. MORRISON: We received one proxy from a lady who indicated that she wished to vote against the stock split bill. She was a holder of 50 shares. She was the only shareholder who indicated any adverse reaction.

Mr. DRYSDALE: Did Mr. Pearce not oppose this resolution?

Mr. MORRISON: Mr. Pearce did not oppose this resolution.

Mr. DRYSDALE: Is that correct Mr. Pearce?

Mr. PEARCE: I beg your pardon?

Mr. DRYSDALE: Mr. Chairman, could I ask Mr. Pearce a question?

Were you present at the meeting where the special resolution was passed?

Mr. PEARCE: No.

Mr. DRYSDALE: Logically you were unable, then, to vote?

Mr. PEARCE: I was away at the time.

Mr. RENWICK: Mr. Chairman, with your permission, I could try to right the perspective in which this company should be placed.

This company was started in 1951 and it was an entirely speculative and risky operation. I think it cannot go unquestioned that this company would not have ended up in 1953 with a pipe line had it not had the support and guarantee in the initial stages of the sponsoring oil companies.

Like the individual financing operation, whether it is an individual one or a corporate one, to get a project underway you often have to go outside to secure the guarantee of some other person.

It is not the wish of this company, and ought not to be assumed that because the board of directors are taking the course which they are now proposing to take, that it is their wish to go forward indefinitely having to rely on the guarantee of outside persons even though these persons in the initial instance were the major sponsors of this project. This company is making a definite and determined attempt to be a Canadian operation and a Canadian owned operation to the fullest extent that it is possible to do so.

There are in the company now, all Canadian employees; the majority of the directors of this company are Canadians; the major oil companies, which are on the guarantee are holding and presumably will continue to hold—of this we have no knowledge—their share interest in the company until such time as they are no longer called upon in respect of their guarantee of the bonds.

As Mr. Taylor has said, there is no foundation for any suggestion; and if I erred in my remarks, there is no foundation for any suggestion that any money is going to be raised through the sale of stock for the purpose of retiring the bonds. But it may very well be true, and I am quite certain if the situation developed the company might again have to rely on the guarantee of the oil companies as it has in other instances.

If the people of Canada do not invest in this company by way of bonds or shares, the company may very well have to rely on the oil companies to continue its expansion; but I think you will all agree that is an improper way to expand a growing operation designed entirely for the exportation of Canadian crude oil, it being a very speculative or risky business.

Mr. SMITH (*Simcoe North*): Excuse me. There are some statements which have been made which seem to have been made without a great deal of care. One of them is that the Trans Mountain oil pipe line was a very speculative or risky business because it meant getting oil from a major oil field to the coast. I am not sure that it was not unduly emphasized in some of the statements which have been made.

Mr. MORRISON: We have pointed out, in the submission to the Borden commission, the difference between oil and gas pipe lines. One of the points is that although the two systems are very similar in construction, pumping stations, and that sort of thing, on the other hand the financing is very different. The gas pipe lines buy their material and they have long-term contracts for the purchase and for the sale of that material which is a finished product in their system.

The oil pipe lines have no such purchase contracts or such guarantees of delivery or sales. Therefore a gas pipe line company is considered a relatively safe operation, while an oil pipe line is a high risk venture. That was written on the front page of the original prospectus.

Mr. HORNER (*Acadia*): There is some doubt in my mind as to the ultimate aim in this splitting. In one sense it was stated they are not in any way trying to alleviate the backers of the larger oil companies or get them off the hook in guaranteeing the company, and then Mr. Renwick stated that in a sense this has, as its main objective, to create more shares to be sold to more individual Canadians. I would like the matter cleared up as to whether they want the oil companies to support and guarantee them or whether they do not want that.

Mr. RENWICK: I think the ultimate objective is that this company will not necessarily be a company controlled by the major oil companies. The control at the present time is 570,000 shares out of 1,500,000-odd which of course may very well be, as a practical matter, giving or allowing to remain in those companies the effective control of this company's operation. They are on a guarantee of bonds up until 1972.

The company has been functioning since 1953, and it would be, I think, reasonable to anticipate that in due course there will be more and more shares held by the public, as is the case in other public companies throughout the country. I think it is only proper to realize that the oil companies' interest at the moment is 570,000 shares out of 1,500,000. I think it is also proper to realize that the bonds which are out in the hands of large institutions, were marketed in Canada, and through the New York area, or that the oil companies do not have an interest in that. All they have is a liability for \$100 million. It does not seem to me invidious on the part of the oil companies that they should choose to continue to hold the original number of shares which they acquired at the inception of the company.

And if I may direct these remarks to answering the question about the riskiness of the venture, I think it is fair to say that this company itself could not have raised the funds to construct the oil line from Edmonton to Vancouver, and they could not sell the bonds to the bond houses which bought them, and the insurance companies and other investors who originally subscribed the \$65 million of first mortgage bonds in the United States and in Canada, if those bonds had not been guaranteed by the sponsoring oil companies.

Indeed, it went farther than that, even in the case of the Shell Oil Company of Canada and the Standard of British Columbia, and I believe in the

case of what is now the British American Oil Company—those bonds, their guarantee had to be in turn guaranteed by Standard of California, and Imperial Oil by Standard of New York, and Shell Oil by Shell Company, not Imperial—correction.

Mr. HORNER (*Jasper-Edson*): It is not more speculative or risky when the major oil companies guaranteed \$100 million.

Mr. RENWICK: I say the insurance companies and other investors would not have bought these bonds without the guarantee of the major oil companies. Having bought those bonds, and the oil companies having assumed that obligation, they have continued to hold their approximately one-third interest in this company. And I assume as a matter of business that they would continue to hold it until their liability on the guarantee is discharged—which is in 1972—when the bonds will be paid off.

The balance of the shares of the company we think are not sufficiently widely distributed to permit the ordinary person to invest in them, if he chooses to invest his money in a risky proposition.

That is one of the reasons why we would like to see a large number of Canadian people have the opportunity to invest, and that in due time, not that the company has not a plan as to how it will expand its line, but it cannot say what date it will expand its line, nor can it say what critical situation will develop which will force them to expand their line and be put in a position to go to the public and raise funds to enable them to do so.

Mr. THOMPSON: I would like to move that we adjourn until 3.30 this afternoon.

Mr. PEARCE: Before you put your motion, may I make a statement to clear up a misunderstanding in the minds of members of the committee.

The CHAIRMAN: We have a motion before us, Mr. Horner, of Jasper-Edson, has moved—

Mr. THOMPSON: Does not a motion to adjourn take precedence?

The CHAIRMAN: That is right; the motion to adjourn does take precedence.

—Adjournment.

AFTERNOON SESSION

TUESDAY, July 29, 1958,
3:30 p.m.

The CHAIRMAN: Gentlemen, I see a quorum. This morning when we adjourned we had before us a motion from Mr. Horner (*Jasper-Edson*). The motion reads:

It is hereby moved that further consideration of this bill be delayed until the committee can procure and hear some expert witnesses on the financial aspects from the Investment Dealers' Association, and on the petroleum aspects from the Canadian Petroleum Association, and such further witnesses as the committee may decide to call.

That motion was seconded by Mr. Smallwood.

Does anyone wish to speak to the motion?

Mr. McPHILLIPS: I think, Mr. Chairman, that a motion of this kind is wrong in principle.

I think the committee could very easily be put off the track. I do not think we are a bit concerned about what the stockbrokers may think about this bill. After all, this company is the creature of the parliament of Canada which has given it its powers and given it its capital.

Of necessity if they want to make any change in their capital structure they must appear here. They are not asking for an increase in capital but merely to split their stock five to one. Such a move has already been approved by their own shareholders.

Speaking for myself I would not be the least interested to know what stockbrokers might have to say about this matter, or what the petroleum interests might have to say. Surely we may decide in this committee on the evidence which is brought before us, not on opinions as to what might happen in the stock market.

The CHAIRMAN: Does any other member wish to speak?

Mr. DRYSDALE: I am inclined to agree with Mr. McPhillips as to the strict viewpoint he has taken on this matter. I think the evidence has indicated so far that there was only one individual who could possibly be interpreted as being opposed to the stock split. I think she held 50 shares and from what I could gather she was not too clear exactly as to what was being done.

So from the viewpoint of the actual stock split itself, I believe the company has the authority—and adequate authority—to carry out a split.

However, we still have the difficulty before us which I think the committee should resolve through questioning as to the future financing of the company. I think they should elaborate somewhat on their plans, because I believe that has been causing a great deal of difficulty, speaking for myself as well as for some of the other members of the committee.

Accordingly I do not feel on the basis that the hon. member from Jasper-Edson has suggested that I could support his motion, and I say that with respect.

The CHAIRMAN: Are there any other comments on the motion? If not, shall I put the question?

Those in favour of the motion will please indicate accordingly.

The motion reads:

Moved that further consideration of this bill be delayed until the committee can procure and hear some expert witnesses on the financial aspects from the Investment Dealers' Association, and on the petroleum aspects from the Canadian Petroleum Association, and such further witnesses as the committee may decide to call.

This motion has been moved by Mr. Horner (Jasper-Edson) and seconded by Mr. Smallwood. Those in favour will please indicate.

The CLERK: Eight.

The CHAIRMAN: Those against the motion?

The CLERK: Nine.

The CHAIRMAN: I declare the motion lost. Now, gentlemen, we are on clause 1 of the bill.

Mr. WRATTEN: Mr. Chairman, how many directors are there in the company?

The CHAIRMAN: Do you wish to answer that question, Mr. Renwick?

Mr. RENWICK: There are nine directors.

Mr. WRATTEN: Is there any rule on the books of the company that any of 3,500,000 shares shall be reserved for these directors at a given price?

Mr. RENWICK: There are no shareholders or directors that are employees of the company with the exception of Mr. Morrison who is not only a full time employee but is also a director, as well as being an officer of the company.

None of the three and one-half million shares are necessarily reserved for him, but in the issue of stock of the company, you will recall, there were 1,504,928 shares, of which 4,900 shares are shares on which options were granted to full time employees of the company under an incentive stock option plan; and the option price the day this option was granted to certain employees was in the neighbourhood of \$38, based on the closing price of the Toronto stock exchange; and that was an option to these individuals to purchase shares at any time after that date at that price.

Under the stock option plan which was set out in a by-law and approved by the share-holders, there are 15,000 shares reserved, but none of the directors of the company have any rights under that plan. It is purely for the full time employees of the company, of whom Mr. Morrison is the only one who is both an officer as well as a director.

Mr. SMITH (*Simcoe North*): The majority shareholders are nominees of shareholding oil companies and other interests rather than direct shareholders?

Mr. RENWICK: No, sir.

Mr. SMITH (*Simcoe North*): I was reading your brief at noon and I noticed there is an executive vice president of Imperial Oil, and assistant vice president of British American Oil, and representatives of your law firm. Are they not representing respectively Imperial Oil, British American Oil, Shell Oil, and so on?

Mr. RENWICK: Yes.

Mr. SMITH (*Simcoe North*): Then they are nominees of shareholding oil companies?

Mr. RENWICK: Yes.

Mr. SMITH (*Simcoe North*): But you said no.

Mr. RENWICK: No, not of oil companies having a majority of stock, but simply 570,000 shares.

Mr. SMITH (*Simcoe North*): Yes, they represent the oil companies by whom they are employed.

Mr. RENWICK: That is right.

Mr. NIXON: I may have missed the point but I wonder if there is an explanation as to why in 1957 the profits were over \$8 million while the estimated profits in 1958 would be less than \$1 million? Is there an explanation which could be given?

Mr. RENWICK: I think before giving a specific answer to that question, perhaps I might set the content for it and then refer the question to Mr. Taylor for reply.

The market for Trans Mountain Oil Pipe Line is either refineries at one end of the line where they deliver oil, or over the wharf at Vancouver for shipment to other refineries.

The total refinery capacity in British Columbia at the moment is, I understand, 72,000 barrels per day.

In the state of Washington, it totals 104,000 barrels a day; in Oregon, it is 3,500 barrels per day; while in the whole of California it is 1,244,030 barrels per day.

That in substance constitutes the available market for Trans Mountain to deliver oil on behalf of others to Vancouver or to other refineries.

They were operating during 1957 in the first six months, at capacity but now they are not operating at capacity.

Before I turn over the question to Mr. Taylor, I would like to mention that the laid-down price of crude oil in San Francisco today from the Persian Gulf is a price lower than can be met by the producers in Canada laying down oil in San Francisco. I now turn the question over to Mr. Taylor. Oh no, Mr. Hurd will elaborate on it.

The CHAIRMAN: Shall we now hear from Mr. Hurd?

Mr. HURD: From the standpoint of the business we now have as compared with what we had during the latter part of 1956 or the first part of 1957: in the last half of 1956 we went up in our through-put which is another way of saying volume of business, from about 100,000 barrels per day to 155,000 barrels per day which at that time was all we could handle.

Over the year end of 1956 and into early 1957 we had an expansion program which was being done as fast as we could do it; and from that time on we pumped to capacity through the first half of 1957, pumping an average over that first half of 1957 of about 183,000 barrels per day.

At the end of the second quarter of 1957 the business that we had had which was for the pumping of oil through our lines to be loaded into tankers destined primarily for California, was lost for the reasons Mr. Renwick has given. It disappeared; that market disappeared during the third quarter.

In the fourth quarter of 1957 we delivered an average of only 97,000 barrels per day as compared with the earlier figure of something over 180,000.

In addition to having lost the tanker market, some of the refineries that are connected with our system in the state of Washington have reduced their take of Canadian oil as it comes over our line, so that at the present time we are pumping an average of somewhere around 80,000 barrels per day and it may be less than that for the next few months. I think that is the best answer which I can give.

The CHAIRMAN: Thank you Mr. Hurd.

Mr. WRATTEN: There has been some suggestion of rights being issued with a new issue of bonds. In the event that this split does take place who is going to determine the price per share that these rights are going to be given out at?

Mr. RENWICK: The decision of the type of security to be issued and the kind of security, or combination of securities, would be in the ultimate position a decision of the directors of the company. In reaching that decision they would have had the benefit of the experience, and indeed would need to have the benefit of, the investment advisers of the company who are close to the market and know at what price the securities could be placed either under an underwritten agreement—in which case, of course, the investment houses would purchase the securities and resell them to the public—or as an agent for the company, and would advise the company of the price that they anticipated, in the conditions as they existed on the market at that time, the securities could be offered.

Mr. WRATTEN: What I meant, Mr. Chairman, is that we heard this morning that the price might be \$12 per share. That was a price that was just thrown out this morning. If these big companies who would subscribe to this loan would have the privilege of buying these shares at \$10, that would be a discrimination against the ordinary man on the street, because he would be losing quite a profit in this regard.

The CHAIRMAN: I believe that was mentioned this morning. One of the officers—I think it was the treasurer—said that there was no suggestion of that.

Mr. WRATTEN: There was no suggestion of what?

The CHAIRMAN: That that stock would be sold at \$10.

Mr. WRATTEN: This morning the statement was made, Mr. Chairman, that that was one of the deals if they got a split; they would be able to issue rights for these shares, because they could not work it at a fifth of \$60.

Mr. RENWICK: I think you are correct. There was a reference this morning to the possibilities that one way of financing would be to issue bonds of the company accompanied by rights to purchase shares in the company.

I think the point that Mr. Chairman was referring to was the fact that we gave an unqualified "no" to the suggestion that the proceeds from the issue of any sale of stock would be used for the purpose of retiring existing bonds for the purpose of bailing out the oil companies.

In regard to the point which you have made, what happens usually is that the bonds are issued at a price at which the underwriters will take them and they are accompanied by warrants which, in substance, are rights to purchase stock over a period of time at certain stated prices. The prices recommended to any company, who proposed to finance in the past, on which the warrants can be exercised a year from now, or two years from now, or three years from now, would be matters of advice, and would be geared to the market for the stock at the time the bonds and the rights were issued as well as some anticipation of what the company's progress might be in future years. Usually the prices are higher prices, as you go along.

Mr. FISHER: There is no substance, you say, in the point that Mr. Pearce was making; that this was fundamentally going to get the oil companies "off the hook" as far as the bonded indebtedness was concerned? These bonds will be paid off when the bonds mature? What is the finance arrangement that you are making from year to year in preparation of paying off that indebtedness?

Mr. TAYLOR: Each of our bond issues is on a schedule of semi-annual retirement of bonds on an assigned scale, actually. I can read you one of the schedules.

We mentioned this morning the figure \$65 million worth of bonds. I will just read you quickly part of the sinking fund table there.

For the first two years they would be retired at a rate of \$500,000 each six months; for the next two years at the rate of \$750,000 each six months; for the next three years at a rate of \$1 million each six months; for the following three years, \$1,500,000 each six months; for the next four and one-half years, \$2 million each six months; and for the balance of the period of two years, \$2,500,000 each six months.

Subsequent issues of bonds follow the same percentages as those. We contracted not to retire one series of bonds faster than another series.

Actually this leaves about 35 per cent of the bonds still outstanding on the last day of the period, and that is in 1972.

Mr. FISHER: Would you expect to pay them off at that time from the money you may have in your treasury, or would there be another issue of bonds, or is this question getting too far afield?

Mr. TAYLOR: Well, that is pretty hard to say. I think there might very well be a further issue of bonds, or an extended period of time.

Mr. FISHER: This whole question of whether the oil companies secure the bonded indebtedness is not an important factor in the company's mind? That is something that will gradually disappear of its own accord?

Mr. TAYLOR: Yes. When the bonds are paid off their liability will be gone.

Mr. HOWE: What effect did the American restriction on importation of oil have on the business of this company?

Mr. MORRISON: It has had no effect as yet. The oil companies were given a certain quota on the west coast and they have not asked for that amount of oil as yet.

Mr. SMITH (*Simcoe North*): Has the company ever declared a dividend?

Mr. TAYLOR: Yes. In December of 1956 the company paid its first dividend of \$1 per share. In December of 1957 the company paid a dividend of \$2 a share, amounting to \$3 a share altogether which it has paid during its lifetime.

Mr. SMITH (*Simcoe North*): One further question concerning the matter of financing advice. In reading articles by members of various bond houses in "Stocks I Like", including members of McLeod, Young and Weir, we very often see statements that your bonded issue or your mortgage debt should bear a relation to your equity capital. We see suggestion of formula percentages, and so on in regard to how much common stock you should have for so many million dollars worth of bonds that you have. Has there ever been any advice in that regard in respect to Trans Mountain Oil Pipe Line Company? What common stock should you have having regard to your \$100 million bonded debt?

Mr. TAYLOR: I think the advice there would come from the purchasers of the bonds, and in the first issue they were willing then to buy, collectively, \$65 million in bonds against \$15 million in stock. The current situation of the company is \$100 million worth of bonds, approximately, and capital stock plus earnings of about \$27 million.

Mr. SMITH (*Simcoe North*): I have one other question directed to the chairman.

There was some point mentioned in this regard this morning. Has the Board of Transport Commissioners any control over the rates charged for shipping oil?

The CHAIRMAN: Mr. Smith, at noon I checked with Mr. Wardrope of the Board of Transport Commissioners and he said there was no check made on the rates at the present time owing to the fact that none of the oil pipe line companies had applied to become common carriers. Until they became common carriers the Board of Transport Commissioners has no control over them.

Mr. Morrison, I think, I could add something to that.

I might say that the Board of Transport Commissioners, of course, has the authorization for construction. The different pipe line companies generally deposit their reports with the Board of Transport Commissioners, but this is unofficial rather than compulsory.

Mr. SMITH (*Simcoe North*): I read their submission to the royal commission.

Mr. MORRISON: We would not have to apply to become a common carrier if we were not behaving in the way the Board of Transport Commissioners thought we should; they would declare us a common carrier and then they would be able to regulate rates, and so on.

Mr. SMITH (*Calgary South*): That was the point I was going to make but I would like to carry on. The reference made as to who has control of the tariff in oil is to some extent determined by the total economics and what a barrel of oil can be sold for in competitive markets which are influencing the Canadian consumer. But the witness said in answer to a question, Mr. Chairman, that the present voluntary oil import quota system currently has no effect on Trans Mountain operations; because if that is true would he not agree the same quotas based on the future operations or the hopes of eventual completion of your loopings, plus the fact that the new refinery capacity which will go on flow in the Puget Sound area together with the price factor of transportation cost, plus the present international situation—that your voluntary oil import quota might have a serious effect on the future of your operation?

Mr. MORRISON: Very definitely sir but under these conditions I believe the quotas would not remain as they are. The conditions in the United States would be entirely different. These are the quotas as they exist today.

Mr. SMITH (*Calgary South*): That leads me to the next question. In the future operation of the company the need for new capital or the need for what you are asking here, a splitting of your stock, to make it more marketable you want to be in a position to take advantage of any increased load you may be able to put through your lines to meet these markets. Is that what you are here for?

Mr. MORRISON: Yes sir. In the past, during the Suez period we shipped to California two or three shiploads, and one or two to Japan and France.

Mr. SMITH (*Simcoe North*): What is your attitude towards being declared a common carrier?

Mr. MORRISON: We think the board of transport commissioners have done a first rate job and I do not see that it would make a great deal of difference. The section of the system in the United States comes under the I.C.C. regulation. We file our tariffs with them. We file our tariffs with the board and if they do not like it they can reject it; we would have no say at all.

Mr. HORNER (*Jasper-Edson*): I wonder if we could have an answer to the basic question of why further shares were not issued which would have obviously cut down the amount of mortgage debt and I am sure there was the market in Canada at the time of issuing these shares because the ordinary person, unless they had an account with a brokerage house would not buy them.

Mr. RENWICK: I will try to answer that question. I think it is tied in with the purpose of the bill. As it has turned out the stock on the public market has been subject to wide fluctuations in price based to a large extent on extraneous matters over which this company has no particular control at any time. The world price of oil is the basic factor. Because the shares are relatively closely held we think the fluctuations of the stock as having fluctuated from \$40 to \$145 is just not sound and that this company in substance could not have got an investment house to have marketed shares of the stock of this company at \$140. We do not think an investment house would advise this company to market their shares at \$140 because there had been an extraneous world situation which forced the price of the stock away up. Now, I am sure there are many different views on it, but one of the reasons for our desire to have this bill is by levelling out and enlarging the number of investors, and the price, that to some extent the assessment of people who follow the market will not force this stock into the price fluctuations which it has had. It will always be a speculative stock, but I do not think any investment advisers would advise this company to put out their stock at the height of the world situation which produces \$140 price on the stock market because we do not think we could have marketed that number of shares.

Mr. HORNER (*Jasper-Edson*): What about originally when the shares were issued? Why were 1,500,000 issued instead of 2 million or 3 million?

Mr. RENWICK: That was again simply a question of placing the shares. I think in that connection you should bear in mind that the bonds with these guarantees and with the specific mortgage on the pipe line were authorized investments for institutional houses. The shares of this company were not at that time and are not now investments in which the incident namely as you see the facts against the prospectus whether they are or are not qualified

investments for Canadian insurance companies. The shares of this company are not possible incidental investments. So that the available market for them is among the non-institutional investments and it is our desire to widen that particular available market for the shares by splitting the stock.

Mr. SMITH (*Calgary South*): May I apologize for not being here this morning, but I was occupied elsewhere. This question may have been asked. In your recent brief before the commission you submitted evidence indicating what the 20-year expansion program would be for the line. You estimated the volume you might take on flow in the British Columbia area together with the Washington and possibly the Oregon and California area. Based on the reply you gave that naturally the factors would change in the event the voluntary import oil quotas were lifted, have you made any more engineering studies beyond the present facilities you have so planned, in other words, the first stages of your looping. Do you anticipate you will require additional financing and in what period of time?

Mr. MORRISON: That came up this morning in answer to some of the questions.

Mr. SMITH (*Calgary South*): Can you tell me in a word.

Mr. RENWICK: If I may introduce this particular point because it was a matter of concern here this morning. The distinction which we found we had difficulty getting across to the members of the committee was that we stated that the directors of this company have no present intention of financing; we did not state that the company did not have a projected program for the engineering development and construction of their plant facilities to increase their capacities. I think on the question of the time, when we take these various steps we have all sorts of possible degrees within various extremes. Presumably if tomorrow Kuwait disappeared as a source of oil for the western world, presumably the same day the directors of this company would be under an obligation to consider what increase in investment should be made. At the other extreme, if world conditions were normal the demand for increasing the capacities of this plant might be over a much longer period of time. In regard to the question of time and what the construction program is and what the cost is, I would like to ask Mr. Hurd to answer that.

Mr. HURD: To emphasize again this program or this series of programs that are fairly definitely laid out in an engineering way, they are not tied in to any particular year and cannot be until the demands are apparent to us. But we have specific plans in some engineering detail for expansion from our present situation, a capacity of 250,000 barrels per day up to 600,000 barrels per day; in three stages. The first stage is from 250,000 barrels to 300,000 barrels per day which involves the laying of a length of 175 miles of pipe with a certain amount of pumping capacity along with it.

Under a normal construction program, without any great time compulsion, that would take six months at a cost of just under \$42 million. If we were up against it for time and had to have the plant as quickly as humanly possible that time could be compressed to four months, but the cost would go up to nearly \$44 million.

The next stage from 300,000 barrels to 400,000 barrels involves the laying of almost 247 miles of pipe line and would take seven months, under normal conditions, at a cost of just over \$68 million and under pressure of time could be done in about five months at a cost of approximately \$70 million.

The next stage, from 400,000 barrels to 600,000 barrels a day, which is as far as we have projected our plans so far, would involve laying 146 miles of pipe with a substantial amount of pumping capacity installation and it would take about six months and something in the amount of \$66½ million.

The aggregate of all those numbers, under normal construction conditions, is almost \$177 million. If, for instance, we felt that the practical thing would be to go from 250,000 barrels a day to 400,000 barrels a day in the one step instead of two steps, it could be done in about 18 months under normal conditions. Under a crash program that could be compressed to 12 months at an additional cost. If the whole expansion from 250,000 barrels a day to 600,000 barrels a day, were to be done in one step it would take two full construction seasons and cost \$177 million. This is the program as regards our Canadian system only.

Presumably if the demands are to be met on our Canadian system in amounts which would require one or more of these expansion stages, particularly if it goes up in the range of 400,000 barrels to 600,000 barrels a day, there would have to be an additional plant built in the state of Washington to tie in our system with the refineries which are now projected for that area. The cost there is estimated to be \$17 million.

Mr. SMITH (*Simcoe North*): How is the split of five to one arrived at?

Mr. TAYLOR: It was arrived at by assessment of what we might have to spend over a period of years.

Mr. SMITH (*Simcoe North*): Which is the \$170 million?

Mr. TAYLOR: Well, yes; roughly. And also the speed at which it might have to be spent. It was felt that five for one would give us enough shares to take care of any foreseeable eventualities. I might say the decision was arrived at at a meeting of the officials of the company, the directors, and a good number of financial advisers who also sat in at the meeting.

Mr. MORRISON: I would like to go back to an earlier question. I mentioned the figures, under direct expansion, of 200 and 225 million this morning. That 225 million was the 176 plus the 16 or 17 million and plus the 30 million we were spending last year. I just wanted to rationalize those figures given from memory with the other figures.

Mr. SMITH (*Calgary South*): No one can foresee what will happen to Middle East crude oil coming into this continent; but you would like to be in a position where you would be able to step up first to 200,000 and eventually to 600,000 barrels a day and you would have no problems from a supply standpoint and no trouble from a constructional program standpoint, and the purpose of this is to put your financial structure in order so that you would be able to go ahead and meet such an emergency.

Mr. MORRISON: That is quite true.

Mr. FISHER: How much of the stock at present is held by Investors Mutual? Is there any at all?

Mr. McQUARRIE: No.

Mr. FISHER: I would like to ask one other question and I would like to have a yes or no answer.

Mr. McQUARRIE: I beg your pardon. Let me correct that. Investors Mutual of Canada Limited in Winnipeg have 12,075 shares.

Mr. FISHER: I would like a yes or no answer to this question: Has your company, in the last year, contributed to the campaign funds of any political party?

The CHAIRMAN: I do not think that is a fair question.

Are there any other questions?

Mr. DRYSDALE: Mr. R. A. Brown, Jr., president of Home Oil Company Limited, Calgary, stated in a speech in April this year:

In April, 1957, we were shipping 200,000 barrels per day through the Trans Mountain pipe line to British Columbia and U.S. west coast refineries. This month we are only shipping 81,000 barrels per day.

Was there a figure quoted of 250,000 barrels per day?

Mr. MORRISON: That is capacity. Mr. Hurd was giving figures by quarters. During the month of May, which I think was an all-time high, it was somewhat better than 200,000 barrels a day; and that occurred two months in a row.

Mr. HURD: Mr. Chairman, would it be helpful if I were to tell the committee, month by month this year, what we have delivered so far?

The CHAIRMAN: Yes. That is what the company has delivered so far this year in the way of oil?

Mr. HURD: Yes. These are daily averages. In January this year there were total deliveries of 111,627 barrels per day, in February 95,166 barrels per day, in March 99,069 barrels per day, in April 80,556 barrels per day, in May 72,803 barrels per day, in June 82,417 barrels per day; and in July we expect, with our schedules as they stand at the moment, to deliver 87,794 barrels per day, and the numbers for the remainder of the year are all lower than that last figure.

Mr. DRYSDALE: Did you say that you had 200,000 barrels maximum and that the present trend is more or less a decline, and is this request for the stock split more an idea that you may in the future, in a very short time, have a sort of immediate reversal of the trend necessitating expansion? I think one of the difficulties which the committee is having is this question of the future financing. They feel that you have something up the cuff of your sleeves.

Mr. HURD: In that connection I think Mr. Morrison said a little earlier that when Suez was closed and the shipping was short, we were pumping to capacity. Not only that, but if we had more capacity within any imaginable range we would have been still using our plant to full capacity. There is no doubt in my mind that, had we had 250,000 barrels capacity then, we would still have been full. We would have had even more oil offered to us than that, had we had the capacity.

Mr. SMITH (*Calgary South*): This a combination through pipe line and off shore shipments.

Mr. HURD: Yes.

Mr. SMITH (*Calgary South*): Have you any idea what the potential was?

Mr. MORRISON: Practically unlimited up to the capacity of the prairie wells to produce.

Mr. SMALLWOOD: What are the total number of shareholders?

Mr. MACQUARRIE: As at March 27, 1958, 7,091 shareholders.

Mr. HORNER (*Acadia*): I do not know if I have the right idea so far, but it appears to me that the only way the company can raise money is by putting out debentures and giving so many shares or allowing the corporation to buy so many shares with a debenture of some sort. If that is the only way they can raise money they are not going to put in more shares—all 3½ million shares, on the market. I think they can probably still raise money by giving out the shares at \$60. Is it the custom of the company to give out shares—say on their debentures—of \$10 value, or do they give them out at \$60 value?

Mr. RENWICK: The shares which were originally issued went out at \$10, except for the 450,000 shares which went to the public, which went out at a price to net the company \$9.50 per share. Now, as to the various possibilities and combinations of financing methods which might be used for the future, one of them may well be a method such as you indicated. But I do not think that any company would go out on the market to place their bonds, when accompanied by a right to purchase a share, when the share on the market was at \$60. They would not go out to issue that share at \$10. They might provide some small incentive, I do not know.

One other possibility of course is simply to issue rights to all the shareholders to subscribe, in which case the warrants or the rights to subscribe would be transferable and exchangeable. Another one would be simply to issue directly through underwriters or through investment houses, acting as agents of the company, a public offering to anybody who cared to buy the shares at some price, which would be an acceptable price to the directors of the company after consulting with the investment houses. But, there are numerous variations as to how the financing could take place.

Mr. HORNER (*Acadia*): Would not the size of the bond make a difference as to what size of share you gave out with it?

Mr. RENWICK: The usual method is to set a standard. Let us say a \$1,000 bond would be accompanied by warrants to purchase, say, ten shares at a specific price at some future date, that price being usually very close to the existing market price if that were deemed to be a proper one, but not in an extreme fluctuating period.

Mr. HORNER (*Acadia*): If that is the way it goes—say 10 shares to a \$10,000 bond—I imagine most of your bonds are up in the tens and twenty thousands and a lot larger than that. I cannot see how a \$60 share can appear too much. This morning you referred to how you could not give away one-fifth of a share. I wonder how many times you would have to give away or there would be a demand for giving that bond at one-fifth to establish value of \$10 or \$12.

Mr. RENWICK: Well, in possible methods of financing, and to tie the situation that you are illustrating or pointing up as the method of financing, and assuming the company was going to use that method, it would not be unusual if the price for the stock on the market were a low enough price, namely, if the stock in this case were split five-for-one and went to \$12 a share, that the warrants that accompanied the bonds that were issued, might very well at a given date become detachable and become traded on the exchange, and again provide a facility for a larger number of people to purchase the warrants, which in turn would give them the right to buy for a stated price in the future.

Even in the broad situation that you illustrated, it appears to me that it is still within the ambit of providing a wider participation in the shares of the company. I think that has happened with the Uranium Companies that have issued bonds. Warrants have been detached and traded on the market. Other people have bought them and held them or exercised the right to buy the shares at a later date because they were in a price range which a larger number of people were in a position to buy.

Mr. HORNER (*Acadia*): Am I right in assuming that the company has no intention of putting further shares on the market of the $3\frac{1}{2}$ or $17\frac{1}{2}$ million?

Mr. RENWICK: That is perfectly right, and I think that is the nub of the trouble we are having in stating our position to you. The directors now have no present financing plans of any kind.

Mr. HORNER (*Acadia*): Even in the future their plans do not call for putting more shares on the market?

Mr. RENWICK: No, and these expansions of plant which Mr. Hurd outlined as a projected engineering facility for development and increase in that capacity, is not tied to doing it this year, next year, or the year following because the need for that capacity is based on the demand for the service which this company provides, which is transporting Canadian crude. And when the demand for Canadian crude out of Vancouver is such—and that could come from the world situation or in the natural development of the markets—then these plans are available to provide the increased capacity, either on a crash basis or on a normal development and expansion program.

Mr. SMITH (*Simcoe North*): An increase in capacity of Trans Mountain Pipe Lines would have the effect of lessening the likelihood of an opposition company getting a charter to transport oil, would it not? In other words, as long as you can say that you have enough capacity to carry the product, there is not so much of a likelihood that you will have any opposition in the field.

Mr. CAMPBELL (*Stormont*): Is not that the intention of the whole business?

Mr. MORRISON: We want to stay in business, yes. We will do our best to get as much business as we can, but I believe there are already permits for two other lines that can come in and build.

Mr. SMITH (*Simcoe North*): They have permits from this government.

Mr. MORRISON: I would like to quote an authority on monopoly—

Mr. SMITH (*Calgary South*): You said that there were permits on two other lines. Perhaps you should clarify that, Mr. Morrison.

Mr. MORRISON: I believe there have been two applications before parliament for permission to build pipe lines, there may be three.

Mr. SMITH (*Calgary South*): That is not quite correct, sir, but go ahead.

Mr. MORRISON: One is provincial?

Mr. SMITH (*Calgary South*): They have yet to come before us. They are not before parliament.

Mr. CAMPBELL (*Stormont*): It is just an application, it is not even a permit.

Mr. SMITH (*Calgary South*): Which ones are you speaking specifically of?

Mr. MORRISON: West Coast and Act Oils and I think Columbia. I do not have first knowledge of these things. I read this in the newspapers.

Mr. PAYNE: I am sorry I missed this morning's discussion.

It would seem to me that the more logical approach would be to come before a committee such as this with a refinancing program involving a request for debentures or a bond issue and telling us the details.

This is all based on hypothetical suppositions. You propose to split your shares to the extent of 3,500,000 shares, to be split five for one. We are told that there is a balance remaining in the treasury which seems to serve no logical purpose. I am sure that is the point which concerns us all.

The CHAIRMAN: That was pretty well covered this morning.

Mr. CAMPBELL: We are being asked to buy a pig in a poke.

The CHAIRMAN: I do not think that is fair Mr. Campbell. You have not been here previously.

Mr. CAMPBELL: No, I have not. I must admit it.

Mr. RENWICK: First, to refer to the question you put a minute ago, the question of whether or not there will be a competing oil pipe line from the Alberta area through to the west coast of British Columbia, that is basically one falling within the jurisdiction of parliament in the first instance and in that of the Board of Transport Commissioners in the second.

This company would be less than fair if it did not indicate that it probably would like to have its line used to full capacity today, but there is nothing which this company can do which can maintain or prolong it over a period which the Board of Transport Commissioners does not consider to be for the over-all interests of the country to maintain this line or monopoly.

It happens only to have been a monopoly in the loose sense of the word in that we happened to be the first one in the field.

On the second question, again I am alluding to our basic problem in coming before you: another way in which I would like to try to explain it to this committee is this: realize that this is a company incorporated by a special act.

But in the normal case of an ordinary pipe company which may well be just as vital to Canada as any other company, they would be incorporated simply by letters patent under the first part of the Companies Act. The procedure for subdividing their shares would be simply this: the directors of the company would pass a bylaw which would be sanctioned at a special meeting of the shareholders, and then they would apply to the secretary or state for supplementary letters patent.

All of this could be accomplished, I would say, from the time that the decision was made until the supplementary letters patent were obtained or issued, in the shortest possible period of something in the nature of from 16 to 20 days. It might well take longer, but I think it would be possible to subdivide the shares for example, of T. Eaton Company, or Robert Simpson Company, or any of the large companies in this country, such as International Nickel, in a very short period of time.

That means that if these companies are planning on a financing program, they have got to finance within the existing framework of the market for securities.

And if this company were to put forward a proposition to the investment houses on which they would like to embark for the purpose of raising money, if the investment house were advised, they might say that the company could raise the money through an issue of 500,000 or 1,000,000 shares to the public, but the company might say: we cannot issue them. Then the investment house would say: we cannot underwrite it for you at \$60 per share, but if this stock were subdivided, we could do it for you at \$12 a share.

The company might say: we can do that, but in order to do it we would have to go back to parliament to get that permission now.

I think all the underwriters could say would be: well, parliament is in session now, and when you go back to them you will get a subdivision of your stock, and then you can come back to us and we will talk about the financing, because the market situation on which we can base a decision to market shares for you, either by underwriting them or by issuing bonds with warrants or any other form of financing, is one that we could undertake only within a very short period of time.

As to any of the underwritings I have knowledge of, the firm commitment of the underwriters is only for a very short time, and even with that form of commitment there are usually "out" clauses for them.

That is one reason we feel we should have in this company available today some flexibility as to the type of security, the dimension of the security, and the time of issue.

These matters come within their own particular judgement as business decisions the same as with other large companies.

That again is approaching it from a slightly different way than we have done so far. But it is the same crucial point; that we cannot say the day that the decision will be made to raise the additional money to provide these additional facilities for the company.

Mr. PAYNE: You still have additional shares, and you can keep within the basis of them; it is just the ratio we are discussing as to one or other means, and the cost of selling bonds or debentures; it is just a matter of ratio, and you are in a flexible position.

Mr. RENWICK: We are not in a flexible position now because if we were to issue shares of this company today at \$60 a share, we do not know how many shares the underwriting houses might be prepared to take.

We presume that a price of \$12 a share would indicate that in their judgment of what we should do they would be more favourably inclined to permit the company to take advantage of it at the present time, which was before we had public participation or we had a potential available market of people who would be interested in company shares.

I do not think we would have that at \$60, \$70 or \$80.

I think as the McLeod, Young, Weir, Wood and Gundy letter indicated with 17 selected issues which they put in the schedule, all of which are big companies—the prices ranged somewhere from \$4.50 a share to a high of \$40; and the second went for a price of about \$27.50, which was a successful market operation for a public financing of the wellknown companies listed in the schedule.

Mr. SMITH (*Simcoe North*): Mr. Renwick, originally we have no trial offer of a bond issue by the company, or of debentures, within the general application of the dominion Companies Act.

Mr. RENWICK: That is perfectly correct.

Mr. SMITH (*Simcoe North*): And with regard to the preferred shares, you might create preferred shares?

Mr. RENWICK: No. Our authorized capital at the moment is simply 5,000,000 shares without nominal or par value. If we wanted to create a type of preferred shares, we would have to go to parliament for an amendment of the special act.

Mr. SMITH (*Simcoe North*): Otherwise you would have to take them out of these 5,000,000 shares, would you not?

Mr. RENWICK: No. We have no authority to create or to take any portion of that 2,000,000 shares of stock or even to say that these are going to be preferred shares. We could not do that. We would have to take the same steps that we are taking today, and ask for an amendment.

Mr. CAMPBELL: In your analysis of a few minutes ago you compared Trans Mountain with completely commercial types of corporations such as the T. Eaton Company and the Robert Simpson Company. Would it not be far more analogous to compare Trans Mountain with the Canadian National Railways because there is a public element entering into the railways which makes them much more analogous to a transportation system? I mean there is a public interest entering into it more than there would be into a purely marketable company.

Mr. RENWICK: I think my choice of the T. Eaton Company and the Robert Simpson Company was not a good one because they are selling goods, while this company is simply selling a service, it is providing a service under a

situation where the rates which they charge for that service—the Canadian Board of Transport Commissioners declare the company to be a common carrier and they regulate its tariffs and tolls for the production of services at a price which is satisfactory.

Mr. CAMPBELL: So is the Canadian National Railways a public carrier and it also provides a public service.

Mr. RENWICK: Yes, and if the Board of Transport Commissioners declares it to be a common carrier, then we are put in the self same position.

Mr. SMITH (*Simcoe North*): Does not paragraph five of your act provide that you shall stay within the regulations made by parliament under the Pipe Lines Act or under any amendment made thereto?

Mr. RENWICK: That is right. We are subject to the same authority as the Canadian National Railways which is owned by the government and which has the same problems. But with respect to the Canadian Pacific Railway, I have no specific knowledge whether the Canadian Pacific Railway has to come to parliament to get permission to subdivide its stock. It may well be, or it may be able to operate under its original charter exactly as an ordinary company under part one of the Companies Act.

The CHAIRMAN: The Canadian Pacific Railway Company does not have to come before parliament for that purpose.

Mr. RENWICK: I think there are large companies in this country which are, to the extent they have public interest involved, analogous to Trans Mountain Oil Pipe Line Company.

Mr. SMITH (*Calgary South*): Because the witness has covered such a variety of subjects, I wonder if I could ask five questions and suggest that the answer, in summary, is "yes" to each one.

Stock splitting (a) is not uncommon, it is practised regularly; (b) your need for it is based on existing and future developments changing economic conditions; (c) your timing is based on the bond market as it may fluctuate up or down; (d) your vital role is to provide movement and transportation of oil from Alberta into the points which are the most economical points to sell it; (e) competition is not a factor because it comes before, first of all, the Board of Transport Commissioners who have the prior say; (f) the market of the securities, otherwise the timing of this request, is based on putting your house in order, which is relative to the first point I made, to meet situations where you may have to increase your capacity to 600,000 and, finally (g) what you are really asking for is flexibility of marketing your securities?

Mr. RENWICK: I would say the answer to all those questions in our view are "yes".

Mr. SMITH (*Calgary South*): It is that simple.

Mr. DRYSDALE: I would like to ask, Mr. Chairman, a question arising out of Mr. Smith's questions.

Supposing the company does go into some financing in the future, what, if any, control does parliament have over this, which we are not happy about? In other words, by authorizing a stock split now do we just sort of say "good-bye"?

Mr. CAMPBELL (*Stormont*): That is the crux of the whole thing.

Mr. SMITH (*Simcoe North*): No, it is not.

Mr. RENWICK: Only to this extent: this company, when it does finance, has to issue a prospectus and file it with the Secretary of State covering the securities which are issued. It would also have to—presumably this is a

matter of constitution in regard to the sale of securities taking place with provinces—have to qualify these securities for a public offering with the securities commissions of those provinces in which the shares are to be offered.

I believe in the case of the original issue of Trans Mountain Oil Pipe Line Company shares they were qualified across the country.

Mr. MORRISON: Yes, similarly with the last two issues.

Mr. DRYSDALE: A supplementary question, Mr. Chairman.

The CHAIRMAN: Just a minute, Mr. Drysdale.

Mr. RENWICK: So far as the actual issue of treasury stock is concerned, if we were to issue today the stock that is in the treasury it would be a matter of filing a prospectus with the Secretary of State and qualifying the issue in the provinces throughout the country authorizing the shares for public offering.

In so far as we were going to extend the facilities of the company, we would have to go to the Board of Transport Commissioners for approval of the plans for the expansion and for the development, and get a permit to construct, and when the expansion is completed, a permit to operate.

To what extent the Board of Transport Commissioners would take into account the financing methods employed by the company, I do not know.

Mr. DRYSDALE: Would a declaration of the company as a common carrier give the Board of Transport Commissioners any greater degree of control over the company with reference to the financing aspect purely?

Mr. RENWICK: My understanding on the financing aspect of it is that it would not give the Board of Transport Commissioners any additional control. So far as a declaration as a common carrier is concerned, the company would have to accept from all persons who offered—which is the pattern which they are now following—any oil which was tendered to them, providing the person tendering it had some place to take it at the other end of the line.

I think the obligation of a common carrier under the Transport Act is, within a measurable period of time, to provide facilities to take all oil tendered to it so that they do not have to prorate. We may run into a prorated period, but I think at a certain point, if you are a common carrier, you have to provide facilities for anyone who wishes to use the service.

Mr. DRYSDALE: They would have an indirect control in the sense that they could, or could not, shall we say, issue a permit for the expansion that you wanted?

Mr. RENWICK: That is correct.

Mr. DRYSDALE: I think one of the things that is bothering members of this committee is in respect to the further control that can be exerted over the company, should they decide to expand.

Mr. RENWICK: Certainly this company has had a permit to improve the route, authorizing construction of it, and a further permit authorizing the operation of it, as well as intermediate permits for the construction of the loop, or spur, down to the international border.

Mr. CAMPBELL (*Stormont*): Is the crux of the question this; because of the public interest in this company, parliament has placed certain onerous restrictions upon it, and now the company is coming before parliament and asking for a blank cheque? In other words, asking that parliament abandon its discretion, and that the discretion of the company itself be substituted therefore in the interest of flexibility, or whatever you want to call it? Is that not the essential situation?

Mr. SMITH (*Simcoe North*): No.

Mr. SMITH (*Calgary South*): No.

Mr. RENWICK: No.

Mr. CAMPBELL (*Stormont*): Why is that not so?

Mr. RENWICK: I think it would put this committee of parliament in a very difficult and invidious situation if, for example, we were to have come to you today with a firm financing plan underwritten say for one million shares of this company's stock, or ten million shares or fifteen million shares, with a firm undertaking on the part of the underwriting houses to take it at "X" number of dollars per share and resell it to the public, and it was just an open and shut deal.

Mr. CAMPBELL (*Stormont*): A contingent deal, contingent on the approval of parliament.

Mr. RENWICK: Yes, contingent on the approval of parliament. If those conditions were then fulfilled we would be on a free road to obtain "X" million shares by the sale of these shares of this company. I just cannot conceive that this committee, or parliament, would want to be in the position of tacitly or otherwise, in any way, approving of a financing plan of this company in so far as an individual and specific marketing operation was concerned.

That responsibility, in my opinion, rests on the directors of the company who are the people who have to take the responsibility for it. It just does not seem to me that we should use parliament in any sense to approve of the decisions, or to try to get parliament to share the responsibility for the correctness or otherwise of our marketing operations.

Mr. SMITH (*Simcoe North*): I think there has been a general tendency—I know on the part of myself, and I think on the part of some of the other members of this committee—to blame Trans Mountain Oil Pipe Line Company for some of what we might consider the "sins" or bad policies of the oil industry generally. We are afraid of setting up too strong a monopoly.

However, in justice to the company I do not see—I have now read the original bill—how we can refuse the company the right to subdivide their stocks no matter how bad we feel the original advice was in regard to the capitalization of the company. My feeling has been a sort of sense of confusion. I really do not think, by changing the capital structure, we give any control of the company away.

I would like to see the company designated as a common carrier and I would like to see certain other features removed. Generally speaking I do not feel that we can, in justice, refuse to give the company the right to subdivide their shares because, as I say, other companies, whose interest is equally as wide, can do this, and I do not think we are losing anything by way of control.

Mr. PAYNE: Mr. Chairman, I want to draw attention to the remarks of the last spokesman of the company. I do not know his name.

The CHAIRMAN: Was it Mr. Renwick?

Mr. PAYNE: Yes. His remarks were tantamount to a statement that this committee was discussing matters out of order, and beyond their authority. If we are out of order I believe it rests with the chair to say so, and not with one of the representatives appearing before this committee.

The CHAIRMAN: I did not get that impression from what was said.

Mr. PAYNE: I certainly took it that way, and so did other members here.

Mr. RENWICK: I would certainly be the first one to apologize if I created that impression. I had absolutely no intention of doing that and I do apologize.

Mr. HOWARD: Mr. Chairman, I have been particularly silent today.

The CHAIRMAN: I have noticed that.

Mr. HOWARD: That fact I see is receiving some applause from some of the members.

Mr. DRYSDALE: A sympathetic applause.

Mr. HOWARD: There is something I still have not been able to grasp. If I did not understand the situation correctly in the first instance, perhaps someone will straighten it out for me.

One of the reasons the company is asking for this stock split arrangement—I use that term because that is what it is commonly known as—is to broaden the base of ownership of the shares of the company. Is that right?

Mr. RENWICK: Yes.

Mr. HOWARD: I am correct in that impression.

I still do not see how this will possibly broaden the base of ownership of the shares if there are no immediate plans—how far “immediate” is, I do not know.

Mr. SMITH (*Simcoe North*): That is a politician’s cliché.

Mr. HOWARD: I do not see how this will possibly broaden the base of ownership of the shares of the company if there are no immediate plans to issue more shares out of the treasury. There will still be the same ownership in relation to the number of shares that are on the market.

By splitting the shares five for one it will increase the total number of shares on the market, and multiply by five the 30 per cent owned by the four or five oil companies, giving more significance to that 30 per cent in relation to the total number of shares that are on the market. This will give those oil companies a more prominent position in regard to the decisions of the company than they now have.

Mr. RENWICK: Mr. Chairman, in answer to Mr. Howard’s question, according to the records of the company there are 5,396 Canadian individuals registered, as at March 27, 1958, as shareholders, holding 255,334 shares. There are 618 Canadian companies registered holding 959,000 shares, and non-resident individuals and companies numbering 1,077, holding 289,000-odd shares.

We believe that if the stock is sub-divided that the number of shareholders will increase, because a certain proportion of the persons who receive five shares for each share they hold now, we feel, will have a tendency to place their shares on the market. We feel that some portion of these individuals will not want to hold their increased shareholdings, but will want to liquidate a portion of them.

We feel, on the other side of the bargain, there will be more potential buyers who are prepared to buy stock at the reduced price. We cannot guarantee this, but we certainly believe that our experience will be the same as the experience of other companies, and that the effect of the stock split will be an increase in the number of shareholders with a reduced average yield.

Mr. HOWARD: That was 10 per cent.

Mr. RENWICK: Yes. The records indicate that within a year there will be a 10 per cent increase in the number of participating shareholders in the company.

Mr. HOWARD: And probably 15 per cent over the long run?

Mr. RENWICK: Yes.

Mr. HOWARD: As I understood from your remarks this morning there were 130,000 shares held by each of four oil companies, the Canadian Gulf, Imperial, Shell, Standard, and 50,000 by Richfield.

Mr. RENWICK: Yes.

Mr. HOWARD: It was Union Oil which disposed of the 100,000.

Mr. RENWICK: Yes.

Mr. HOWARD: Do you have reason to believe that these five companies that I have mentioned, each having a 30 per cent controlling interest in the company, will dispose of any of their shares?

Mr. RENWICK: I have no reason to believe they will dispose of that interest. Again, they may; I cannot say. But certainly my conclusion would be that so long as they are on the guarantee, on the \$100 million worth of bonds, that it is simply a matter of business judgment and wisdom that they would retain some interest, perhaps up to the point where they may have effective control—I do not know—but certainly an interest in the operations of this company over a long period of time because if they were to dispose, using an extreme example, of their holdings and someone elected all the directors to the company, they would have no control or say over the guarantee and I think they would be in default in the exercise of their own judgment.

Mr. HOWARD: Am I correct from a business point of view and the way you look at control of companies and who has so many shares and so on, if these five oil companies did not dispose of their shares or any part of them, which you say it is unlikely they will in view of the fact they are guarantors but supposing other shareholders do dispose of part of them so that there is a 10 per cent increase in numbers of shareholders, am I correct in saying this makes the 30 per cent held by the five that much more potential as being able to control the shares of the company?

Mr. RENWICK: That would be completely my view on it. If they do now in fact control, and I think it is common to say anyone who holds 20 or 25 per cent probably does control it unless there is a concerted effort among the others to get together and vote.

Mr. SMITH (*Calgary South*): It should be remembered who has the responsibility to make this work in the first instance.

Mr. RENWICK: I would not disagree with you. If they hold a present interest and it was subdivided five to one and there was a wider distribution of shares among other shareholders, it would be much more difficult for all the other shareholders to get together and exercise what they do have and obtain more than 50 per cent control of the company.

Mr. HOWARD: It would have an immediate effect of broadening the basis as is predicted by approximately 10 per cent.

Mr. RENWICK: Yes.

Mr. HOWARD: That is the broadening base part of it.

Mr. RENWICK: Yes.

Mr. HOWARD: And it would have the effect of placing the greater amount of control in ratio to that broadened based in the hands of this handful of oil companies.

Mr. DRYSDALE: I think the difficulty that Mr. Howard is having with respect, is that he is looking at the base broadening operation as an incident when the stock splitting is granted, and I believe the legislation is contemplating some future expansion by the company, for example if they have to increase their output because of the war situation to some 600,000 barrels a day they will require more money and there will be shares issued from the treasury. That is at the point of time when I feel personally that the broadening at the base would occur, rather than at the stock split. What we are doing now I would suggest would not have any appreciable affect on the public base but it is in the future, and that is what this legislation contemplates, being able

to take action rapidly. If we adjourned, it would be rather difficult for the company to come to parliament to get the authority to do this necessary financing. They are doing it now with the idea that the war situation, if it springs up, will already give them the machinery to do the expanding.

The CHAIRMAN: Mr. Howard, Mr. Renwick would like to finish answering your question.

Mr. RENWICK: When I say I agree with the remark you made about effective control and it is normal to anticipate that shares being spread out in smaller packages among a larger number of shareholders makes it more difficult for the existing control to be challenged. However, I think there is a converse side to it in that, having a larger number of shares out at a lower price, presumably it would be possible for purchasers to so buy up the shares of this company and they might in fact upset the control. There is no necessary guarantee that the oil companies control with a mere one-third interest would always control a company. If they wanted to take that position then I think they would have kept 51 per cent and said we are perfectly safe. I figure it could operate the other way to some degree.

The CHAIRMAN: Does clause 1 carry?

Mr. HOWARD: I have other thoughts on this. I was wondering whether in view of the fact that today is Tuesday and it is private members' day, whether you would wish to adjourn.

The CHAIRMAN: We want to go on; we have the witnesses here. We would like to continue today if it is the wish of the committee.

Mr. HOWARD: Some of my friend's colleagues I am sure may want to participate in some of the bills that might be coming up.

The CHAIRMAN: Shall clause 1 carry?

Mr. HOWARD: No, just a minute. The upward movement of the shares originally up to this peak of \$140, when it was around that figure or around \$100 or so, was that the time the Suez crisis occurred? Did the situation in the Suez Canal have any bearing upon the prices of the shares in the market?

Mr. RENWICK: I think the Suez Canal situation accounted for this wide fluctuation that occurred in the price of the stock on the market.

Mr. SMITH (*Simcoe North*): The earnings of the company have never justified a price of \$140 a share.

Mr. HOWARD: If some other difficulty arose in the Middle East, as it might, with respect to oil, would that have an equal affect upon the shares at the moment? Do you think they would rise suddenly if that were to happen today?

Mr. RENWICK: The price the stock hits on the market has nothing to do with the company or its management from day to day. Just as an example, it is true that the price of the Trans Mountain stock went up and I think this was attributable in a large measure to the trouble in Iraq. When we were here a short time ago I think the price of stock was around \$50 and it popped up to \$70 on the Iraq situation. I think it is now around \$59 or \$60. Apparently all these people are prepared to take a plunge on that type of situation. We have the likelihood of the plunge. No one can stop it. But we think the likelihood of the wide fluctuations will be toned down if there are a larger number of shareholders who are participating in this company as a means of investment rather than as a means of speculation.

Mr. SMITH (*Calgary*): There is one thing I would like to say although this may be absolutely unnecessary. One of my colleagues leaned over to me and asked me a question and I would like to put it on the record. I believe in this principle and it is important to our economy. I think it is a good thing, but I would like to have it said that I am not or ever have been a shareholder in this corporation. I would like to have that on the record.

The CHAIRMAN: The chairman is not a shareholder in it either.

Mr. HOWARD: If this split takes place then I assume that the price of the shares will be \$12 to \$15 probably on the market—or \$10.

Mr. CAMPBELL (*Stormont*): Or \$25 or \$30 very shortly, especially if the situation becomes acute in the Middle East.

Mr. HOWARD: I was going to ask that question also. If this company is given permission and this bill is passed and the shares are divided five for one, the price on the market being \$10 or \$12, something in that neighbourhood, with no thought of issuing more of the additional shares out of the treasury and selling them on the market and some situation does develop in the Middle East, a situation similar to the Suez arises then presumably the stocks will take another surge upwards regardless of this 10 per cent broadening and you might find yourself in the same position of trying to sell \$50 or \$60 shares out of the treasury. Would not your position be the same as it is now?

Mr. RENWICK: I think my answer to that is yes but perhaps Mr. Taylor would like to say a word here.

Mr. TAYLOR: Yes, you would be in the same position.

Mr. HOWARD: Would you come back and ask for another stock splitting to get them down again?

Mr. RENWICK: We would have to.

Mr. MORRISON: You are required to.

Mr. RENWICK: The distinction I would make if we had an emergency situation develop which put these stocks back to \$60 from \$12 as the Suez did from \$40 or \$50 up to \$140, whatever that price happened to be and if that were simply a crisis situation, then the company, before it could finance, I would believe, would have to wait until the situation had stabilized. It could stabilize either back as it did after Suez, by going back down again or, if there was a drastic change in the situation in the Middle East which indicated to the investors that this was a company which was now always going to have capacity because it was going to be shipping a lot of oil from Alberta to the California market and so on, and if they assessed it in that fashion, and as a result of that permanently changed situation the stock levelled at \$60 a share, we might well have to come back at some future time, or it might well be that in that particular situation we would have what we now desire, a wide enough participation, so that a public financing could be driven through at \$60. But, at the present time, we have no such stable type of investment market for the shares at \$60.

Mr. SMITH (*Simcoe North*): The permanent, or stable, market of the stock will be determined by the earnings of the company. Is that right?

Mr. RENWICK: Right.

Mr. SMITH (*Simcoe North*): And the earnings of the company are determined by the rate per gallon, or per unit of gallons, that you charge for the carrying of the petroleum. Is that right?

Mr. RENWICK: Right.

Mr. SMITH (*Simcoe North*): Therefore in that situation, whether or not we increase your stock, parliament still retains control of the profits of the company by reason of the fact that we can apply to have you made a common carrier and thereby set your rates on an economic basis. Is that right?

Mr. RENWICK: Yes.

Mr. MORRISON: Through the Board of Transport Commissioners.

Mr. SMITH (*Simcoe North*): And secondly, there is nothing that you—speaking of the company—or parliament can do to control these wild fluctuations caused by the speculators and the crises in Borneo, the Near East, the Far East, or wherever. And whether or not your shares are valued at \$60 or \$12, the stock will still be subject to the same type of speculation which makes it go on these wild fluctuations?

Mr. RENWICK: Yes. We had hoped they would be toned down some.

Mr. SMITH (*Simcoe North*): The real value will always be determined by the earning of your company as a carrier of oil at so much per gallon?

Mr. RENWICK: Yes.

Mr. CAMPBELL (*Stormont*): Plus the potential of the company.

The CHAIRMAN: Shall clause 1 carry?

We will have a show of hands.

The CLERK: Six in favour, eight against.

The CHAIRMAN: We are still on clause 1.

Mr. CAMPBELL (*Stormont*): Is not one of the chief motives in getting this split to maintain a tight or coherent control of this company by these oil companies; that is also a very important factor, I think, in this. If the so-called controlling interest, the 60 per cent, is disseminated through a vast number of small investors, practically speaking, it would be impossible to get any unanimity on the part of this vast number of small investors, and therefore if you had a tight coherent control of 50 per cent it might be sufficient provided that the remaining outstanding stock was held by a sufficiently diverse number of investors.

Mr. DRYSDALE: Suppose they did have control; so what?

Mr. CAMPBELL (*Stormont*): They are not a philanthropic operation.

Mr. RENWICK: The reasons for the bill are the two reasons which we have stated in the explanatory note to the bill. To my knowledge, and the knowledge of all those present here today, there is no other reason for the bill. It may well be, as in any action which is taken for two particular reasons, that there are other consequences which flow from it.

However, I hope in all sincerity that I can get across to you that our two reasons are the two reasons which are contained in the explanatory note to the bill. We have no other reason. We are not here for any particular hidden purpose at all. If—as might appear from the questions asked by Mr. Howard and the answers which I gave—one of the consequences which results is that the control will continue the way it is now, that may be a consequence of it, but on the other side I would ask you to consider that these oil companies are on the guarantees for \$100 million worth of bonds. Whether they will or will not reduce their holdings, I do not know. My own guess would be that if they are on the guarantee they will want to continue to have some say in the affairs of the company as a matter of business judgment.

Mr. BRUNSDEN: For the record, I want to say that I abstained from voting because I was not here this morning and was not in a position where I felt I had heard enough to make an observation.

Mr. CHOWN: Does the vote on clause 1 settle the matter or is it to go on indefinitely?

The CHAIRMAN: I asked our clerk if we could go on and he said yes.

Mr. HOWE: We should now adjourn.

The CHAIRMAN: No. I asked if it would carry and the answer was no because there were others who wanted to speak.

Mr. DRYSDALE: Mr. Chairman, I think we have gone on the merry-go-round pretty well most of the day and the situation still seems to come down succinctly to the fact that the shareholders, all the people who were vitally interested, voted as to whether or not there should be a stock split; all those particular shareholders thought it was a good idea and therefore they are having a stock split.

Mr. Brown, in the speech to which I referred earlier, said that the Middle East alone accounts for 71 per cent of the free world's reserves. We are faced with a situation where the Middle East has 170 million barrels, the United States 30 million barrels, Venezuela 14 million barrels, and Canada 3 million barrels. The point which continuously seems to have come up in our discussion is after we have made that stock splitting and should it be necessary for the company to be refinanced, these shares may decline in value. But I do not think it matters whether these shares rise to \$1,000 or to \$25; it would be based purely on the international situation and the subsequent increase in oil and the company's ability to produce the oil.

I feel we are continuously circling around and I would like to get down to earth and vote on this matter.

Mr. CAMPBELL (*Stormont*): I still do not see why, when it becomes necessary to broaden the stock basis and when you have a plan with which the investment houses have agreed, you could not then come before parliament. I submit that parliament is substituting the discretion of the company for its own discretion in this matter and we are dealing in a hypothetical situation. As soon as it became necessary to have the stock splitting and as soon as there is a firm commitment on the part of the investment houses, then that would be the time to come before parliament with the tentative agreement, the agreement being contingent on the approval of parliament.

The CHAIRMAN: That was all explained earlier. I do not think you were present at that time.

If Mr. Morrison wishes to repeat it again he may.

Mr. MORRISON: I think that the situation which you bring up is exactly the situation which occurred when we brought up this bill, when we applied for this stock split last year. We were really in the middle of an expansion and we expected to have to do more financing for more expansion, and, this meeting has developed into a discussion on stock exchange manipulation and that sort of thing, most of which is entirely foreign to me. My whole career has been spent in operating work, the actual business of getting production and that sort of thing. I have had quite a liberal experience here, and education in the ramifications of stock market operations, and so on. Our job is to be able to get this company to deliver oil from Alberta or to wherever the oil companies want it to go, we have that business to take care of. And that is the main part—that, and this business of getting wider distribution is all to the good, for the public good, and for our own public relations.

I frankly do not understand all the discussion and the objections that have taken place. I know Mr. Pearce would like to see it stopped because he probably made more money than anybody else from the fluctuations of this stock. I frankly think that this is really harming our chances of expanding, when we should expand for the good of the country.

Mr. CAMPBELL (*Stormont*): He has not answered my question at all.

The CHAIRMAN: You did not quite answer the question.

Mr. MORRISON: I said the situation did exist and the answer was that we could not get our financing plans through. The bill was talked out last year, so the time to do it is now when things are quiet.

Mr. CAMPBELL (*Stormont*): They are not quiet now. They could not be in a more precarious state than what they are now, with the Middle East turmoil and the west-coast strike.

Mr. MORRISON: That had not occurred when we applied again.

The CHAIRMAN: Mr. Morrison, I think Mr. Campbell, in asking his question, asked why, after you got the financial set-up and made all your arrangements with your financial agents, that you could not come to the company.

Mr. MORRISON: I think Mr. Renwick explained that.

Mr. CAMPBELL (*Stormont*): I was here, but he did not explain it to my satisfaction. In other words it is substituting the discretion of parliament for the discretion of the directors, and that is not a good thing.

The CHAIRMAN: I am going to ask Mr. Renwick to explain it to you.

Mr. DRYSDALE: Would it be possible for us to adjourn and have the minutes printed because as each new person comes in, we continually regurgitate the same material we have been discussing all day.

The CHAIRMAN: That would take so many days. There are so many committees sitting. It might be a week or two before you have the minutes of this meeting.

Mr. CAMPBELL (*Stormont*): Would not that be a good idea, to investigate the matter and discuss it intelligently?

Mr. NIXON: We have the witnesses here from British Columbia.

Mr. DRYSDALE: A great province, Mr. Chairman.

Mr. NIXON: This is rather an important problem or it would not have been brought before the committee. I think that in fairness to yourself, Mr. Chairman, and in fairness to the gentlemen who are here as witnesses, that the members of the committee should be rather familiar with this before they can properly decide as to which way they should vote.

The CHAIRMAN: Mr. Nixon, I am entirely in the committee's hands. If they say they want to adjourn and wait until the minutes are printed, I have nothing to do with it.

Mr. HOWARD: I so move.

The CHAIRMAN: Mr. Howard moves that the meeting now adjourns.

Mr. CAMPBELL (*Stormont*): I will second that.

The CHAIRMAN: Seconded by Mr. Campbell, that the meeting be convened after the minutes are printed.

Mr. SMITH (*Simcoe North*): May I interject there. Do we want them printed or do we meet after a certain number of typescript minutes are provided, because we can get typescript minutes much more quickly.

Mr. CAMPBELL (*Stormont*): Is there any great urgency in time other than the convenience of the witnesses? We seem to be bulldozed into this.

Mr. DRYSDALE: You come to the meeting in the afternoon and we have been discussing this matter already for two or three hours in the morning.

Mr. CAMPBELL (*Stormont*): I was detained because of people of my constituency visiting me in the morning and afternoon. I should be given some time to give it the attention it deserves. There are a number of people here who have indicated that they are in a similar position. This should be given due care and attention and should be looked into thoroughly.

The CHAIRMAN: It has been moved by Mr. Howard and seconded by Mr. Campbell that we adjourn.

Mr. SMITH (*Simcoe North*): May we have this matter cleared up concerning typescript or printed minutes? Printed minutes will mean a delay of a week or more.

The CHAIRMAN: The clerk tells me that we might be able to have typescript copies available within 72 hours.

Mr. DRYSDALE: I suggest we reconvene on Thursday morning.

The CHAIRMAN: The clerk tells me that they will be available on Tuesday.

Mr. NIXON: I suggest that we meet at the call of the chair.

The CHAIRMAN: The next meeting would likely be next Tuesday because those are the arrangements, I believe, that have been made for our committee—Thursdays and Tuesdays.

Mr. DRYSDALE: Perhaps a longer adjournment or shorter adjournment would be better for the gentlemen who are here.

Mr. SMITH (*Simcoe North*): We need them again as witnesses.

The CHAIRMAN: You have certainly quizzed them today in good order.

Mr. SMITH (*Simcoe North*): If any member of the committee who is present here today reads the minutes then they could get all the answers. I do not think we need all the witnesses here.

Mr. FISHER: I would suggest that the agent at least be here.

Mr. RENWICK: I am speaking on behalf of all of us. We will meet your convenience.

Mr. DRYSDALE: If there is anything outstanding perhaps we could draft written questions to allow the witnesses to answer them, that is if Mr. Renwick is unable to answer them.

Mr. RENWICK: I can be here. We would all like to be here so that we could answer the questions that are raised.

Some Hon. MEMBERS: Question.

The CHAIRMAN: The motion has been put that we adjourn at the call of the chair and I expect that it will be Tuesday morning of next week at 10.00 o'clock—unless you would rather sit earlier than 10.00 o'clock. Is it all right, gentlemen, that we meet Tuesday morning of next week?

Mr. NIXON: Perhaps we can see if other committees are sitting at that time.

The CHAIRMAN: If we make arrangements now, I think it will be all right.

Mr. NIXON: I am willing to leave that in your hands.

The CHAIRMAN: Before you go, gentlemen, as you know we are getting on towards the end of the session and there is a possibility that the house might be sitting at that time. Perhaps we can sit at 10.00 o'clock and if the house is sitting, adjourn until the orders of the day are completed. Thank you.

The committee adjourned.

APPENDIX "A"

No Supplement to this Tariff will be issued except for the purpose of cancelling the Tariff.

B. T. C. No. 5 Cancels B. T. C. No. 4

TRANS MOUNTAIN OIL PIPE LINE COMPANY TARIFF

The Rates and Charges Named in this Tariff are for the Transportation and Delivery of

PETROLEUM

Subject to the rules and regulations and as defined herein:

From points in	To points in	Trunk Line Rate in cents per bbl. of 34.9726 Imperial Gallons Delivered
Edmonton	Kamloops	* 38
Edmonton	Burnaby	* 40
Edson	Kamloops	* 38
Edson	Burnaby	* 40

No gathering service will be furnished under this tariff.

A loading charge of 2½c per barrel will be made for all petroleum loaded out of Burnaby over the Westridge marine loading dock.

All rates and charges are payable in Canadian currency.

† Denotes changes in wording which result in neither increases nor reductions in rates.

* To denote reduction in rate.

Issued: December 1, 1957

Effective: January 1, 1958

Issued By:

D. M. MORRISON, President of

TRANS MOUNTAIN OIL PIPE LINE COMPANY

400 East Broadway

Vancouver 10, B.C.

RULES AND REGULATIONS

5. Definitions

(a) "Petroleum" as herein used means: (i) Any crude petroleum adapted for refining or fuel purposes which by A.S.T.M. (American Society for Testing Materials) methods distills to the extent of at least fifty percent (50%) below seven hundred degrees (700°) Fahrenheit; or (ii) Any petroleum product which

by A.S.T.M. methods distills to the extent of at least ninety percent (90%) below four hundred degrees (400°) Fahrenheit and which when mixed in or for transit with other crude petroleum has a resultant vapor pressure not exceeding thirteen (13) pounds Reid at one hundred degrees (100°) Fahrenheit.

(b) "Barrel" means forty-two (42) United States gallons, or 34.9726 Imperial gallons, at a temperature of sixty degrees (60°) Fahrenheit.

(c) "The carrier" means Trans Mountain Oil Pipe Line Company.

(d) "B.T.C." means Board of Transport Commissioners for Canada.

(e) "Month" means calendar month.

(f) "Tender" means an offer by a shipper to the carrier of a stated quantity of petroleum for transportation from a specified reception point or points to a specified delivery point or points in accordance with these rules and regulations, such quantity to be made available for transportation within a period of not more than five calendar weeks.

10. *Duty of Carrier*

The carrier will accept tenders for trunk line transportation of petroleum if evidence has been furnished by shipper or consignee that arrangements have been made with local gathering or feeder line operators to deliver such petroleum into the carrier's receiving facilities in accordance with the terms of this tariff. The carrier will transport petroleum with reasonable diligence, considering the quantity of petroleum being transported by the carrier, the distance of transportation, the safety of operation and other material factors. The carrier may refuse to accept petroleum for transportation unless satisfactory evidence is furnished that the shipper or consignee has provided the necessary facilities for the prompt receiving of said petroleum at its destination. If such petroleum is scheduled for loading out of Burnaby over the carrier's Westridge marine loading dock, prior evidence may be required of shipper or consignee that arrangements have been made with marine transporters to receive such petroleum from the dock facilities in accordance with the terms of this tariff. The carrier's facilities include working tankage only and the carrier does not furnish storage facilities.

15. *Specifications as to quality received*

No petroleum will be accepted for transportation except good merchantable petroleum of the gravity of twenty degrees (20°) A.P.I. (American Petroleum Institute) or higher which is readily susceptible of transportation by the carrier's facilities, and no petroleum will be accepted the quality of which has been seriously impaired through the character of storage in which it has been held, nor will petroleum be accepted if it contains more than one half of one percent ($\frac{1}{2}\%$) of basic sediment, water and other impurities as determined by test on representative samples taken either from the carrier's tanks or from the delivery line entering same. No petroleum will be accepted unless its viscosity and other characteristics are such that it will be readily susceptible of transportation through the carrier's existing facilities as a separate batch or in a commingled batch, and it will not materially affect the quality of other shipments or cause disadvantage to other shippers and/or the carrier.

20. *Responsibility for quality delivered*

Petroleum will be accepted for transportation only on condition that it shall be subject to such changes in gravity, quality or characteristics while in transit as may result from its mixture with other petroleum in the pipe lines or tanks of the carrier or those of any connecting company. The carrier will use its best efforts to deliver petroleum of a grade and gravity equivalent to that

accepted from the shipper; however, the carrier shall be under no obligation to make delivery of the identical petroleum but may make delivery out of its common stock. Any revaluations deemed appropriate by reason of difference in grade and quality that may occur between receipt and delivery of petroleum by the carrier shall be between and for the account of the shippers and consignees. The carrier shall have no responsibility in or for such revaluations or settlements other than to furnish data on quantities and gravities of the petroleum so received and delivered.

25. *Tenders and notices of shipment*

Tenders for the trunk line transportation of any kind or mixture of petroleum for which the carrier has facilities for handling will be accepted under this tariff in total quantities of not less than one hundred thousand (100,000) barrels from one shipper consigned to one consignee and destination. Advice as to specific quantities of such tendered petroleum to be shipped is required on the carrier's "Notice of Shipment" form on or before the twenty-fifth day of the month preceding the month during which such petroleum is to be delivered into the carrier's receiving facilities. Such petroleum will be accepted in lots of less than fifteen thousand (15,000) barrels only if the carrier's facilities and line operating conditions permit. The carrier will not be obligated to forward such petroleum until it has received from one or more shippers—to be transported in a common batch—a quantity aggregating not less than one hundred thousand (100,000) barrels of the same quality or of different qualities to be commingled provided that the shippers agree to such commingling. Tenders for occasional shipments of less than one hundred thousand (100,000) barrels—but in any event not less than fifty thousand (50,000) barrels—will be accepted under this tariff provided that the entire quantity will be delivered into the carrier's facilities in a single lot. When more petroleum is offered by shippers to the carrier under its tariffs than can be transported currently, the transportation furnished by the carrier shall be apportioned among all shippers equitably.

30. *Deliveries*

At destinations where the carrier has no terminal tankage the carrier will not be obligated to make deliveries in lots of less than one hundred thousand (100,000) barrels, such to be delivered at the carrier's full trunk-line pumping rate. From its Burnaby tankage the carrier will not be obligated to make single continuous deliveries of petroleum in lots of less than fifteen thousand (15,000) barrels; nor will the carrier be obligated to deliver occasional shipments of less than one hundred thousand (100,000) barrels other than in single continuous lots.

35. *Title*

No petroleum will be accepted for transportation the title to which is in litigation or as to which a dispute of title exists or the title to which is encumbered by lien or charge of any kind provided, however, that the carrier may waive this requirement if satisfactory bond or other surety has been furnished by shipper or consignee.

40. *Gauging, Testing and Volume Corrections*

Prior to its acceptance, petroleum will be gauged and tested by representatives of the carrier. Quantities will be determined from regularly compiled one hundred per cent (100%) tank tables and corrected to the temperature of sixty degrees (60°) Fahrenheit in accordance with A.S.T.M.-I.P. Petroleum Measurement Tables Nos. 5 and 7. Deductions will be made for the amount of basic sediment, water and other impurities as ascertained by centrifuge or

other tests agreed upon. From the net quantities so determined for acceptance, a further deduction of one per cent (1%) will be made to cover evaporation and loss during transportation, and the balance will be the net quantities deliverable.

45. *Evidence of Receipts and Deliveries*

All receipts and deliveries, except at destinations where the carrier has no terminal tankage, shall be gauged in the carrier's tanks. Petroleum received and delivered shall, in each instance, be evidenced by "Run Ticket" forms, showing opening and closing tank gauges, temperature, basic sediment and water, and any other data essential to the determination of quantity. All necessary gauging and testing may be witnessed, and such run tickets shall be jointly signed, by representatives of the carrier and the shipper or consignee or agent, as appropriate, and shall constitute full receipt for the petroleum received or delivered.

50. *Destination Receiving Facilities*

Upon twenty-four (24) hours' notice by the carrier, the shipper or consignee shall accept and remove its shipment from delivery facilities of the carrier. If shipment is not being removed in a reasonable manner after expiration of the twenty-four hours' notice from the carrier, a demurrage charge of four tenths of one cent (0.4c) per barrel per day or part thereof shall accrue on all petroleum not removed.

55. *Payment of Tariff Charges and Lien for Unpaid Charges*

The shipper or consignee shall pay all applicable transportation charges, cargo rates, harbour dues and other lawful charges accruing on petroleum delivered to and accepted by the carrier for shipment, and, if required, shall pay the same before delivery at destination. The carrier shall have a lien on all petroleum in its possession belonging to the shipper or consignee to secure the payment of any and unpaid transportation or other lawful charges that are due to the carrier, that are unpaid by shipper or consignee, and may withhold such petroleum from delivery until all unpaid charges shall have been paid. If such charges remain unpaid fourteen (14) days after notice and demand therefor, or even in the absence of unpaid charges when there shall be a failure to take petroleum within fourteen (14) days after the expiration of notice of arrival at destination as provided in Item 50, the carrier shall have the right, through an agent, to sell such petroleum at public auction, at the office of Trans Mountain Oil Pipe Line Company in Vancouver, British Columbia, Canada on any day not a legal holiday, after three (3) consecutive days publication of notice of such sale in a daily newspaper of general circulation published in that city, stating the time, place of sale, and the quantity and location of petroleum to be sold. At such sale the carrier shall have the right to bid and, if the highest bidder, to become the purchaser. From the proceeds of such sale the carrier will pay itself the transportation and all other lawful charges, including reasonable storage charges pending sale and expendent to said sale, and the balance remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

60. *Liability of Carrier*

The carrier while in possession of any of the petroleum herein described shall not be liable for any loss thereof, damage thereto or delay caused by fire, storm, flood, epidemics, acts of God, riots, insurrection, rebellion, sabotage, strikes, labour disturbances, shortage of labour or breakdown of transportation or storage facilities, war, or the acts of the Queen's enemies, or from quarantine,

or authority of law or from any order, requisition, interest or necessity of the Government of Canada or any Province thereof, default of the owner, shipper or consignee, or from any cause whatsoever, whether enumerated herein or not, except by its own direct negligence. In case of the loss of petroleum from any cause other than the direct negligence of the carrier, after it has been received for transportation and before the same has been delivered to consignee, the shipper shall bear a loss in such proportion as the amount of his shipment, already delivered to the carrier, bears to all the petroleum then in the custody of the carrier, for delivery via the lines or other facilities in which the loss or damage occurs, and the shipper shall be entitled to have delivered only such portion of his shipment as may remain after deduction of his due proportion of such loss.

65. *Claims, Suits and Time for Filing*

As a condition precedent to recovery, claims for loss, damage, or delay in connection with the shipment of petroleum tendered for shipment under the terms of this tariff must be filed in writing with the carrier within one month after delivery of the petroleum, or, in the case of failure to make delivery, then within three months after a reasonable time for delivery has elapsed; and suits arising out of such claims must be instituted against the carrier within six months from the day when notice in writing is given by the carrier to the claimant that the carrier has disallowed the claim or any part or parts thereof specified in the notice. In causing petroleum to be transported under this tariff, the shipper and consignee agree to be bound by provisions of this clause and waive any rights which they or either of them might otherwise have, at common law or otherwise, to make a claim after the expiration of the said period of one month or the said period of three months as the case may be or to bring an action after the expiration of the said period of six months.

†70. *Application of Rates and Charges*

Petroleum accepted for transportation shall be subject to the rates and charges in effect on the date of receipt of such petroleum by the carrier, irrespective of the date of the tender. Such rates and charges will be assessed only on the net quantities of such petroleum delivered.

75. *Diversion and Reconsignment*

Diversion or reconsignment may be without charge if requested in writing by the shipper sufficiently in advance of scheduled delivery at original destination, subject to the rates and charges, rules and regulations applicable from original reception point to final delivery point, upon condition that no backhaul movement will be made.

80. *Export of Petroleum*

The shipper or consignee of petroleum destined for export shipment in marine vessels via the carrier's Westridge marine loading dock shall make all necessary arrangements with concerned Government authorities to accommodate such export. If requested, the carrier will permit and assist Government representatives to witness the gauging of deliveries into said marine vessels from the carrier's Burnaby tanks in compliance with item 45 of this tariff.

